

## **OVERVIEW**

The annual audit plan is a guide that is developed for use of the Internal Audit Service (IAS) during the calendar year in order to address the risks and inadequacies in the internal control system of the National Tobacco Administration (NTA). Audits and projects selected for review and included in the annual audit plan are those areas that represent high materiality and significance in the overall performance of the Agency.

The audit plan is a dynamic document that may change during the year, as circumstances change. Requests from management, changes in audit resources, and changes in the Agency's organization or operations could result in changes to the plan. Any significant change to the plan would require the approval of the Chairman of the Board Audit Committee.

Project objectives proposed in the Plan are in general terms. The specific objective of each audit project is determined by the detailed assessment of the circumstances at the time the audit engagement is initiated.

The Audit Plan was developed using current IAS manpower resources, consisting of three (3) Internal Auditors and one (1) computer operator. The Department intends to supplement its limited manpower, when needed, by coordinating and teaming-up with other oversight Departments with monitoring and evaluation functions, in order to provide more coverage of the high risk areas.

## **THE ROLE OF INTERNAL AUDIT**

The IAS provides independent and objective services designed to add value and improve the Agency's operations. IAS helps the Agency accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness, efficiency, economy and ethicality of management, control, and governance processes.

The IAS audits are conducted in accordance with the Philippine Government Internal Audit Manual (PGIAM). The NTA Internal Audit Manual sets forth the purpose, authority, and responsibility of the IAS.

## **TYPES OF AUDITS AND REVIEWS**

The IAS conducts performance audits and non-audit services, as well as follow-up reviews.

**Compliance Audit** is the evaluation of the degree of compliance with laws, regulations and managerial policies and operating procedures in the Agency, including compliance with accountability measures, ethical standards and contractual obligations. This type of audit is a necessary first step to, and part of, management and operations audit.

**Management Audit** is a separate evaluation of the effectiveness of internal controls adapted in the operating and support services units/systems to determine whether they achieve the control objectives over a period of time or as of a specific date. It includes the determination of the degree of compliance with laws, regulations, managerial policies, accountability measures, ethical standards and contractual obligations covering specific timeframes. It is a review and appraisal of the systems and processes, organizational and staffing structures, operations and management practices, records, reports and performance standards of the units covered.

**Operations Audit** is a separate evaluation of the outcome, output, process and input to determine whether government operations, programs and projects are effective, efficient, ethical and economical, including compliance with laws, regulations, managerial policies, accountability measures and contractual obligations. It involves an evaluation of whether or not performance targets and expected results were achieved.

## **DEVELOPMENT OF THE AUDIT PLAN**

The IAS allocates its resources in a manner that is consistent with the vision, mission, and objectives of the NTA. To support the Agency mission, audit coverage is considered across the Agency. The audit plan is designed to provide coverage of core and support processes, over a reasonable period of time, given the existing staff.

The following key factors were considered in the assessment of risks and the development of the audit plan:

- ✓ Potential impact on Agency-wide policies and procedures
- ✓ Changes in systems, processes, policies, or procedures
- ✓ Volume of transactions
- ✓ Information and communication
- ✓ Internal and external monitoring
- ✓ External oversight
- ✓ Extent of government regulation

In addition to the projects selected, audit hours are also dedicated to follow-up reviews, carry-forward projects, and non-audit services.

**Follow-up reviews** are conducted to determine the adequacy, effectiveness, and timeliness of actions taken by Management on reported engagement findings and recommendations, including Commission on Audit (COA) findings and recommendations. This work determines if Management actions have resulted in the lowering of, or non-recurrence of audit findings, or whether Management has assumed the risk of not taking corrective action on reported findings. These activities are scheduled within a reasonable time frame to allow Management sufficient opportunity to implement corrective actions.

**Non-audit services** are advisory and related client service activities which are intended to add value and improve Agency’s governance, risk management, and control processes. Examples include advice, facilitation, and training. This type of activity can only be conducted if providing the non-audit service does not create impairments to independence, either in fact or appearance, with respect to future audit projects.

To ensure the Internal Auditors maintain a steady workload throughout the year, some audit projects are scheduled to start near the end of one calendar year and require time in the following year to complete, to coincide with the implementation of certain Agency projects following one complete tobacco crop year.

### AUDIT FOCUS

Operations Audits						
<b>Objectives:</b>						
(a) Evaluation of the outcome, output, process and input to determine whether Agency operations, programs and projects are effective, efficient, ethical and economical;						
(b) To evaluate whether or not expected results were achieved.						
Audit Description	Audit Area		Priority H/M/L	Estimated Duration		Estimated Start
- Validation of P/A beneficiaries; - Appraisal of existing controls in the recruitment and selection of farmer-beneficiaries	RFEDPREI – KPP - Nursery	NTA BOs: Regions 1 & 2	H	3-4 days/ BO	32 WD	February
	AgriPinoy Hog Fattening Project	NTA BOs: Candon Abra Vigan	H	2-3 days/BO	9 WD	April

Management Audits						
<b>Objectives:</b>						
(a) Separate evaluation of the effectiveness of internal controls adapted in the operating and support services units/systems to determine whether they achieve the control objectives over a period of time or as of a specific date;						
(b) To review and appraise systems and processes, organizational and staffing structures, operations and management practices, records, reports and performance standards of the units covered.						
Audit Description	Audit Area		Priority H/M/L	Estimated Duration		Estimated Start
- Evaluation/assessment of APFPP and CO Meatshop inventory management to ensure that adequate controls to safeguard inventory are established and maintained; - Review of procedures, practices, records, etc.	AgriPinoy Processing Plant and CO Meatshop		M	5 days/ Site/Q	24 WD	(Continuing) 1 <sup>st</sup> week of each new Quarter
			H	5 days/ site/Q	24 WD	3 <sup>rd</sup> week of each new Quarter
- Review and evaluation of MOOE items/ utilities expenditures	Agency-wide		H	Continuing/ Year-round		January
- Assessment of production assistance payment status - Determination of collection efficiency	<ul style="list-style-type: none"> <li>✓ IFOIGAP- Tobacco</li> <li>✓ IFOIGAP- Rice</li> <li>✓ ISP</li> <li>✓ KPP</li> <li>✓ MPCB</li> </ul>	All Branch Offices	H	Continuing/ Year-round		March (Start of tobacco trading season) and Nov/Dec. (Rice trading)

Compliance Audits					
<b>Objectives:</b>					
(a) To evaluate degree of compliance with laws, regulations and managerial policies and operating procedures in the Agency, including compliance with accountability measures, ethical standards and contractual obligations.					
Audit Description	Audit Area		Priority H/M/L	Estimated Duration	Estimated Start
- Review of financial documents/paid vouchers as to	Financial	Finance Department	H	Continuing/ Year-round	January

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accuracy of computations, validity and propriety of claims, adherence to rules, policies, etc.; -Management of cash/check disbursements					
-Review of contracts, bid documents, etc.	Agency-wide	M	Continuing/ Year-round	January	

Non-Auditing Activities				
Activities	Description	Priority H/M/L	Estimated Duration	Estimated Start
a) Follow-up reviews	Determination of adequacy, effectiveness and timeliness of Management actions on reported COA and IAS findings and recommendations	L	Continuing/ Year-round	January
b) Advisory and facilitation	Client service activities to add value and improve Agency's control and governance processes	M	Continuing/ Year-round	January
c) Staff development	Provision of training to IAS staff aimed at enhancing skills and competency	L		As need arises <i>(depending on prioritization)</i>

In addition to planned audit and non-audit services, the Internal Audit Service has ongoing administrative responsibilities, which include:

- Revision and update of the Agency Citizen's Charter
- Ensure Agency compliance to the ARTA
- Development and maintenance of the Agency Risk Management Plan