

**Government of Afghanistan**  
**Control and Audit Office**

**Audit Planning Manual**

**EXTRACTS**

## Risk Analysis

Planning process involves setting up of a system to help identify audit risks of each entity to prioritise entities for audit purposes. Such a system needs to be put in place by the Director of Planning and Organisation. The system uses certain critical factors to categorise different entities into High Risk, Medium Risk and Low Risk. The critical factors considered important under Afghan conditions are identified as below, in their order of importance.

- Budget Allocated
- Revenue Projections
- Overall Assessment based on previous audit
- Number of Contracts
- Assets

The above factors are being discussed in greater detail as below:

### Budget Allocated :

Budget allocated for an entity is the most important factor in assessing risk of a particular entity. The Directorate will need to maintain a database of budget allocations to different ministries. Based on these allocations, the directorate should categorise each ministry between high and low spenders. Wherever budget allocations are not available, last available expenditure should be considered.

### Revenue Projections :

In Afghanistan due to poor controls it has been experienced that entities having large revenues are at a higher audit risk, since ensuring that all revenues have been received and accounted for becomes that much more difficult. Accordingly revenue projections of different entities should be an important factor, however if the figures for revenue projections are not easily available then, last figures available should be considered.

### Overall Assessment:

This is an assessment which needs to be undertaken by the Planning & Analysis Directorate, based on last year's audit assessment, including resolution/ implementation of audit recommendations included in the last audit report.

### Procurement Budget :

One of the important aspects of audit at ministries is verifying legal aspects and proper implementation of contracts that an entity signs during a year. Hence procurement budget of a Govt. entity would be an important factor, while undertaking risk analysis.

### Assets:

Overall assets of an entity should be considered as an important factor, while undertaking risk analysis at the overall Govt. level. Such a database will need to be maintained by the Planning Directorate.

The above criteria can be given different weightage, according to the importance of the factor, for example in the above analysis, the first two factors are the most important and hence need to be given more weightage. A format has been developed to assist such risk-analysis of each entity and thus help in prioritising the audits. See Annex 1.

To undertake above analysis, Planning & Analysis Directorate would need to maintain certain database. The two major sources of information for such a database would be, one, the Government's budget documents, and the other would be information which the audit groups can collect after each audit. For the first, Planning & Analysis would need to collect the information from Ministry of Finance, while the latter can be provided by each audit group, after completing its audit. A simple format in the form Annex 2 is attached. This format will form part of the audit reporting package that each audit group needs to prepare at the end of the audit. Individual Directors will be responsible for having this format completed by each audit group and submitted to the Planning & Analysis.

The Planning Directorate needs to maintain a database for the budget and revenue allocations of various entities. These Based on this the identifying

Other information which will assist the audit planning process can be added as necessary. Specifically, information will be gathered during the Pre-Planning Stages of [Individual Audits](#) which can be added to the Strategic Plan.

Using the Time Budgets and the Audit Frequency, it is possible to calculate the number of staff days required each year to achieve the Strategic Plan. This number of staff days can then be used to determine the optimum number of staff when carrying out [Resource Planning](#).

The Risk Analysis Plan will be recommended for approval by the Management board. The Strategic Plan will then be approved by the Auditor General.

## Annual Planning

An annual plan will be created before the start of the audit year to define which audits will be carried out during the year. The Annual Plan will be created by the Director of Planning and Organisation.

This plan will be based on the information contained in the [Risk](#) Analysis Plan. Specifically, the annual plan will be based on two items:

- Date of Last Audit
- Audit Frequency

Reference will also be made to the [Staff Resource Plans](#) to determine how much staff resource is available.

The annual audit plan will be created by the Director of Plans in conjunction with the individual CAO Directors who are responsible for each audit area.

The plans will only be finalised when the Auditor General has reviewed and approved them.

There may not be sufficient [staff resources](#) to enable all audits to be carried out. Therefore, audits may need to be excluded from the plan. If an audit is to be excluded from the plan, the reasons must always be justified in writing. The approval of the Auditor General must be obtained before an audit is excluded from an annual plan.

One additional item of information will be included on the annual planning form. This will be the Target Completion Date. This date will be calculated based on the Planned Date of Audit and the Audit Time Budget. This must take into account the number of auditors allocated to a particular audit. There may be audits where a single auditor will carry out the work. It will be more usual for the work to be allocated to a team of more than one auditor.

An example of a form which can be used for the Annual Plan is shown as [Annex 3](#). This form will show the audits planned (and excluded) for each area by CAO Director.

A similar form can be prepared to show the audits which are allocated to each auditor.

## Staff Resource Planning

Staff Resource Planning serves two purposes,

1. To identify the amount of productive time available to use for individual audits.
2. To ensure that sufficient staff numbers are available to complete the annual audit plans.

### **1.1 Analyse Productive Auditor Time**

Not all time that is available to auditors will be spent on productive activities (i.e. carrying out audits). As well as carrying out audits, they will also:

- Take annual holidays
- Take public holidays
- Be sick
- Undergo professional training (e.g. certification), take examinations
- Undergo other training

In addition to this time, they may also spend time:

- Carrying out management or supervisory activities
- Administration

All these additional tasks need to be taken into account when calculating the time which is available for productive work. A simple example of this is provided as [Annex 6](#).

The Director of Plans should carry out an exercise to calculate this figure for productive time taking into account local circumstances. The Director of Plans should carry out this exercise with the help of the other CAO directors. The final numbers should be approved by the Auditor General.

### **1.2 Match Staff Resource numbers to Annual Plans**

The total number of staff days required by the [Annual Plan](#) must be compared with the number of staff days available from the [Staff Resource Planning](#) exercise. This will provide information on whether staff resources are adequate to achieve the number of audits planned for the year.

It would be wise to set aside an amount of time for Contingency Purposes. Contingency time will be needed for carrying out special investigations which may be requested from time to time. There is no ideal figure for this contingency time. It is suggested that some 20% of productive staff time may

need to be reserved for contingency purposes. This figure can be adjusted in light of the results of [time monitoring](#) exercises.

If staff resource numbers are not adequate to achieve the plan, then two alternative courses of action can be taken:

1. Increase the number of staff.
2. Exclude some audits from the [Annual Plan](#) or change the audit frequency in the [Strategic Audit Plan](#) to ensure that the plan more closely matches the ability of CAO to meet it.

Whichever course of action is chosen it must be discussed with and approved by the Auditor General.

This exercise must be carried out every year as circumstances will change.

## Annex 1 –Planning Data Collection Form

**Director Responsible:** \_\_\_\_\_

**Ministry:** \_\_\_\_\_

**Audit Group No./  
Team Leader** \_\_\_\_\_

**Entity Number** \_\_\_\_\_

**a) Brief activities of Entity**

**b) Brief organisation structure (secondary entities)**

**Date Last Audited** \_\_\_\_\_

**Time Taken for audit (Days)** \_\_\_\_\_

**Information to be considered for Risk Analysis**

**Budget Allocated** \_\_\_\_\_

**Actual Expenditure** \_\_\_\_\_

**Total Asset Value** \_\_\_\_\_

**Assets verified** \_\_\_\_\_

**No. of contracts** \_\_\_\_\_

**Total value of contracts** \_\_\_\_\_

**Total Income** \_\_\_\_\_

|   |           |      |         |      |      |
|---|-----------|------|---------|------|------|
| <b>Compliance with regulations (Tick one)</b> | Excellent | Good | Average | Fair | Poor |
|---|-----------|------|---------|------|------|

|  |        |   |
|--|--------|---|
| <b>Does entity prepares monthly Financial statements</b> | Yes/No | If yes, identify how many months no financial statements prepared |
|--|--------|---|

|  |        |                                   |
|--|--------|-----------------------------------|
| <b>Does entity receives reports from provinces</b> | Yes/No | Assess compliance in terms of % : |
|--|--------|-----------------------------------|

**% of previous year's issues resolved** \_\_\_\_\_

**Overall risk assessment** \_\_\_\_\_  
High /Medium / Low (Tick one)

## Annex 2 – Risk Analysis Chart

| S. No. | Entity                             | Audit Group Leader | Last Audit conducted | Budget Allocated        |        | Projected Revenue       |        | No. of Contracts   |        | Assets of Entity |        | Overall assessment (based on last audt) | Risk score | Risk status |
|--------|------------------------------------|--------------------|----------------------|-------------------------|--------|-------------------------|--------|--------------------|--------|------------------|--------|---|------------|-------------|
|        |                                    |                    |                      | % of Total state budget | Rating | % of Total state budget | Rating | Signed in prev. FY | Rating | Value            | Rating |   |            |             |
| 1      | Ministry of Finance (Hypothetical) |                    | 1383                 | 40%                     | 5      | 20%                     | 5      | 10%                | 3      | 10%              | 4      | 20%                                     | 4          | High risk   |
| 2      |                                    |                    |                      |                         |        |                         |        |                    |        |                  |        |   |            |             |
| 3      |                                    |                    |                      |                         |        |                         |        |                    |        |                  |        |   |            |             |
| 4      |                                    |                    |                      |                         |        |                         |        |                    |        |                  |        |   |            |             |





## Annex 6 – Calculate Available Productive Time

The following tool should be used to determine the time availability for staff resources by type of resource.

The numbers shown are examples only and should be adjusted to suit local circumstances.

| <b>Detail</b>                     | <b>Manager</b> | <b>Senior</b> | <b>Auditor</b> | <b>Trainee</b> |
|-----------------------------------|----------------|---------------|----------------|----------------|
| <b>Total available staff days</b> | <b>261</b>     | <b>261</b>    | <b>261</b>     | <b>261</b>     |
| Less                              |                |               |                |                |
| Holidays                          | 30             | 28            | 25             | 22             |
| Public holidays                   | 8              | 8             | 8              | 8              |
| Sickness                          | 10             | 10            | 10             | 10             |
| Professional training             |                | 30            | 30             | 30             |
| Examinations                      |                | 5             | 5              | 5              |
| Other training                    | 10             | 15            | 15             | 20             |
|                                   | <b>58</b>      | <b>96</b>     | <b>93</b>      | <b>95</b>      |
| <b>Net available staff days</b>   | <b>203</b>     | <b>165</b>    | <b>168</b>     | <b>166</b>     |
| Less                              |                |               |                |                |
| Management & control              | 40             | 10            |                |                |
| Administration                    |                | 8             | 12             | 16             |
|                                   | <b>40</b>      | <b>18</b>     | <b>12</b>      | <b>16</b>      |
| <b>Productive staff days</b>      | <b>163</b>     | <b>147</b>    | <b>156</b>     | <b>150</b>     |
| Staff on establishment            | 2              | 8             | 16             | 4              |
| <b>Annual staff days</b>          | <b>326</b>     | <b>1176</b>   | <b>2496</b>    | <b>600</b>     |

