

Pursuant to the Article e 82. paragraph 2. of the Law on Republic Administration (“the Official Gazette of Republika Srpska” no. 118/8) and the Article 28. paragraph 1 of the Law on Internal Audit in the Public Sector of Republika Srsпка (“the Official Gazette of Republika Srpska” no. 17/08), Minister of Finance passes:

**GUIDELINES
FOR PREPARATION OF THE STRATEGIC PLAN
IN ACCORDANCE WITH THE MANUAL FOR THE INTERNAL AUDITORS IN THE
PUBLIC SECTOR OF REPUBLIKA SRPSKA**

INTRODUCTION

The purpose of the Guidelines is to explain the methodology laid down in the Manual for Internal Auditors in Public Sector of Republika Srpska in the part related to the strategic planning.

The goal of the Guidelines is to help the internal auditors in the public sector to carry out the activities related to the preparation of the strategic plan for their audit activities more simply.

The Guidelines is prepared according to the schedule of activities for the strategic planning through the steps that describe the ways the attachments from the Manual for Internal Auditors related to the preparation of the strategic plan should be prepared.

The Guidelines is prepared by the expert of the PKF Project “Support to the Introduction of the Public Internal Financial Control in BiH” Mrs. Stoyka Radeva and the staff of the Central Harmonization Unit of the Ministry of Finance of Republika Srpska.

The Guidelines is composed of the Attachment 5 - Risk Assessment at the Level of the Organizational parts and the Attachment 6 - Risk Assessment at the Level of the Process, done in Excel, for the given values of the risk factor from the Step 3 of the Manual, the Attachment 7 – Defining the Possible Number of Audit Days per Year and the Attachment 8 - Calculation of Time Needed for Audit Activities for the First Year of the Strategic Planning, for the standard values of individual categories of audit activities as explained in the text of the Guidelines and in the Manual for Internal Auditors.

GUIDELINES
FOR PREPARATION OF THE STRATEGIC PLAN
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I Step 1: Understand the audit universe

For the purpose of understanding the audit universe - areas that may be the subject of the audit in the institution, it is necessary to collect the documents from our organization as follows:

- the organizational chart;
- the main laws that regulate the activity;
- any strategic reports/ documents that are available in the organization;
- other documents, that are considered appropriate.

After review of the documents we fill out Attachment 3 - Understanding of the Audit Environment from the Manual for the Internal Auditors in the Public Sector of Republika Srpska, as follows, i.e.:

1. in column 2 where the resources of information are listed we put as follows:
 - for Q1: Laws, Policy papers, Organisational charts and Systematisation schedules, Enquiries of the Management, Budget, Plans, Annual reports, Previous audit reports
 - for Q2: Internal reports, minutes of meetings, internal information.
 - for Q3: Both internal and external information and reports. Here we can say "all documents as stated above";
 - for Q4: Articles from the newspapers, Internet research, Independent experts' reports.
2. in column 3 we put the answers to the question as we consider appropriate;

We write down the conclusion based on our expectations:

1. the main areas / processes that may be included further in the risk assessment;
2. the impact of the areas / processes on the strategic plan is to be included further in the risk assessment;

II Step 2: Identify all the auditable systems / areas

Attachment 4 - List of Processes and Sub-processes and Organizational Parts can be filled as follows:

1. The column "Goals" should be filled using the goals we have identified in the previous step from the Attachment 3 – Understanding of the Audit Environment
2. In the columns "Processes" and "Sub-processes" we identify all processes and sub-processes undertaken in the institution for the defined goals

3. The columns “Department” should be filled with the name of the organizational parts (sector, department, division and lower budget user) of the institution in which the listed processes and sub-processes take place.

The “X” sign is used to mark the organizational part in which the listed processes and sub-processes are done, in order to determine the connection between the process and the organizational parts and to identify the processes that function in several departments.

III Step 3: Carry out risk assessment for the auditable systems/ areas

The risk assessment is done at 2 levels:

1. At the level of the organization or overall risk assessment – Attachment 5 - Risk Assessment at the Level of Organizational Parts
2. At the level of the processes from the organizational parts which are identified as high risk areas in the overall risk assessment – Attachment 6 - Risk Assessment at the Level of the Processes.

Attachment 5 - Risk Assessment at the Level of the Organizational parts:

We fill the Attachment 5 - Risk Assessment at the Level of Organizational Parts as follows:

1. in the column “Organizational part” we fill out the organizational parts as identified in Attachment 4 - List of processes and sub-processes and organizational parts;
2. we determine the main risk factors that we consider relevant for our organization (look at the applicability of the risk factors listed under point 4.1. – Strategic plan, pg. 10 of the Manual for the Internal Auditors in the Public Sector of Republika Srpska);
3. we determine weight or relative importance that these factors have in the total weight value (e.g. overall points of the weight should equal 1). E.g. if we determine 3 main risk factors that have different importance for the organization, the risk factor 1 might be equal to 0.5, the risk factor 2 – 0.3 and the risk factor 3 – 0.2 ($0,5+0,3+0.2=1$);
4. for each risk factor we define the rating and write it down below the column for this factor. We should try to explain in qualitative terms our ratings. For example in a rating from 1 to 5 for a risk factor “changes in the legislation”, we may give the rating of 1 point for low risk when the legislation is changed in the period longer than one year, a middle rating of 2 to 4 points when the legislation is changed once a year and the rating of 5 points for high risk when the legislation is changed more than once per year.
5. for each risk factor we multiply the weight with the rating points in order to get the value of the risk index for each factor. The total sum of risk indexes of each risk factor gives us the value of the risk index for the individual organizational part.
6. we determine the range for the risk index value for the low, middle and high risk areas by defining the highest possible value of the risk index and the lowest possible

risk index value compared to the given weight and the points given to each risk factor that we assess. The range is given above the table in the right corner.

7. based on the total risk index value versus determined range values of the risk indexes we decide if this is a high, middle or low risk area.
8. we identify our priorities based on the high risks areas.
9. the risk assessment is dated and signed by the person who prepared it and the person who reviewed it

Attachment 6 - Risk Assessment at the Level of the Process

We fill out the Attachment 6 - Risk Assessment at the Level of the Processes as follows:

1. In the column "Departments" we list the departments identified as high risk in the Attachment 5 - Risk Assessment at the Level of Organizational Parts.
2. In the column "Process" we break them down the processes in the departments listed in the column 1. to more detailed level for the activities they perform or responsibilities they have. They might be the same as the sub-processes in Attachment 4 - List of Processes and Sub-processes and Organizational Parts.
3. Next, we perform the risk assessment as in Attachment 5 - Risk Assessment at the Level of Organizational Parts:
 - a. Identify the risk factors
 - b. Define the rating separately for impact and likelihood;
 - c. Define the value range for high/ middle/ low risk;
 - d. Explain the point range in the qualitative meaning as explained in Attachment 5 - Risk Assessment at the Level of Organizational Parts
 - e. Assess the impact and likelihood of the risk factors for the processes in question based on the given ratings and calculate the results;
 - f. Rank the areas based on the results of the risk assessment compared to the defined ranges and decide how they will be distributed into high / middle / low range
4. List the sub-processes that fall into the three categories of risk or alternatively, mark them into different colors.

IV Step 4: Determine the available time for audit activities

It is necessary to calculate the available time based on the actual number of auditors in the Internal Audit Unit in question.

For this purpose we fill the Attachment 7 – Defining the Possible Number of Audit Days per Year from the Manual for Internal Auditors in Public Sector in Republika Srpska as follows:

1. in the first column we write down the names of the auditors
2. in the second column we write down the available days per year for every auditor in the IA Unit;
3. in the third column we write down a provision for the annual holiday, the public holidays and other official days off, if any.

4. in the fourth column we write down a provision for sick leaves and similar absences;
5. in column five we will have the effective audit time (column 2 – column 3 – column 4 = column 5);
6. in column six we take 75% of the effective time as calculated in column five. This gives us our time for audit activities.
7. in columns 7, 8, 9 you list the time planned per auditor for training, quality control and administration. These activities in total should be the other 25% of the effective time in column 5.
8. The values from column 6 determined in Attachment 7 - Defining the Possible Number of Audit Days per Year should be copied in column "Total" in Attachment 8 – Calculation of Time Needed for Audit Activities for the First Year of the Strategic Planning and distributed to the audit activities listed in Attachment 8.

V Step 5: Decide on your audit strategy

To determine our audit strategy means to define our audit activities in the strategic period given the audit capacities in comparison with the standard time estimated for realization of the audit activities.

The standard times for high, middle and low risk audit is given in Attachment 8 - Calculation of Time Needed for Audit Activities for the First Year of the Strategic Planning from the Manual for Internal Auditors in Public Sector in Republika Srpska as follows:

- high risk audit: 20 days,
- medium risk audit: 15 days,
- low risk audit: 15 days.

The other type of audit activities mentioned in Attachment 8 - Calculation of Time Needed for Audit Activities for the First Year of the Strategic Planning might be assumed to have a standard duration as follows:

- follow up audits – 5 days;
- management requests – 15 days
- consulting engagements – 15 days

Distribute the total audit time from Attachment 8 - Calculation of Time Needed for Audit Activities for the First Year of the Strategic Planning, that is copied from the column 6 of the Attachment 7 - Defining the Possible Number of Audit Days per Year listed in the Attachment 8.

VI Step 6: Draw up the strategic plan

Drawing up of the strategic plan is to be done based on Attachment 2 – Framework Strategic Plan from the Manual for Internal Auditors in Public Sector in Republika Srpska by use of the appropriate information determined in the Attachments 3 to 8 of the Manual.

Attachments 3 to 8 of the Manual for Internal Auditors in Public Sector in Republika Srpska remain the integral parts of the Strategic Plan which is made based on them.

VII Step 7: Draw up the annual plan

We fill in Attachment 9 – Annual Audit Plan from the Manual for Internal Auditors in Public Sector in Republika Srpska, making a list of the engagements for the first year of the strategic plan. We perform the following:

1. In column “Name of Audit” we put the name of the individual audit engagement;
2. In column “Organizational Part” we put the department where the audit engagement will be held;
3. Then we note during which month we expect this planned audit activity will take place;

Further considerations:

- we start with the high risk areas identified in Attachment 6 – Risk Assessment at the Level of the Process.
- Then we provide for middle risk/ low risk engagements in accordance with the audit strategy described in the Strategic Plan, if resources allow for this;
- We put the names of the follow-up audits of our last year audits in accordance with the Law on Internal Audit in the Public Sector of Republika Srpska;
- If we have already management requests we can put them in the plan as well;
- We list as many engagement as we have planned in Attachment 8 - Calculation of Time Needed for Audit Activities for the First Year of the Strategic Planning.

Note> These guidelines are drawn up as a result of the training-on-job workshop with the CHU staff in the Ministry of Finance in Banja Luka 13-17 February 2012