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Paix – Travail – Patrie

MINISTERE DES FINANCES

CABINET DU MINISTRE



REPUBLIC OF CAMEROON
Peace – Work – Fatherland

MINISTRY OF FINANCE

MINISTER'S CABINET

**INSTRUCTION No. 00000838/MINFI/CAB/
OF 16 NOV 2015 ON THE INTERNAL AUDIT CHARTER
OF THE MINISTRY OF FINANCE**

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Preamble



The Internal Audit Charter is a statement of principles, rules and values that govern the activity of internal auditors. It defines their role, provides them the necessary guarantees to fulfil their missions and gives them an identity. It also protects the audited by guiding the activity of the Internal Auditor by imposing on him duties and ethical principles to be observed.

This Charter defines the missions and the functioning rules of the Inspectorate General of the Ministry of Finance. It takes into consideration the principles and practices of governance of government departments in Cameroon enacted by Law No. 2007/006 of 26 December 2007 on the Fiscal Regime of the State.

It is also based on professional standards for the practice of internal auditing as well as the Code of Ethics prescribed by the Institute of Internal Auditors (IIA) and the French Institute of Audit and Internal Control (IFACI), thus comprising the international reference framework of internal audit.

The professional standards of internal audit particularly set out the characteristics required of the organizations and individuals performing internal audit activities and also describe the nature of such activities.

All central, decentralized organs of the Ministry of Finance as well as entities subsidized by the State of Cameroon and external stakeholders to which audit missions are entrusted by the Ministry of Finance must comply with this charter.

Definition of concepts

Unless the context otherwise requires, whenever they are used in this Charter, the various terms below shall have the following meanings:

"Internal audit": independent and objective activity that gives an organisation assurance on the degree of mastery of its operations, gives it tips to improve them, and helps to create added value.

"Competence": all the aptitudes (knowledge and learning) and attitudes (know-how and good manners) necessary for the exercise of the internal auditing profession.

"Conflict of interest" situation where a knowledgeable external observer would consider that the personal interest of a member or staff of the Internal Audit, whether direct or indirect, and is sufficient and risks to outweigh the duties of his office. There are three kinds of conflict of interest: *real conflict, apparent conflict and potential conflict*.

- **Real conflict** is a situation in which a person is exposed to favour their particular interests or those of their allies (kinship, friendship or business relationship) to the detriment of the interest they are required to preserve with respect to their function and their mandate.
- **Apparent conflict** exists when a given situation may reasonably be interpreted by the public as bearer of an actual conflict.
- **Potential conflict** is a situation that could possibly arise, a situation that is in latency.

Conflicts of interests may be of financial, moral, psychological and professional in nature.

"Credibility": demonstrating credibility requires that one show proof of reliability, transparency and reasonableness.

"Deontology" what counts on administrative tools in order to ensure that the profession is exercised in total respect of ethics.

"Ethics" what is desirable and condemns what should not be done.

"Entity" operational units placed under the competence of the Ministry of Finance.

Mission or audit team any person or group of persons who participates in the execution of the mission, who ensures its quality control as well as any other person who is capable of directly influencing the outcome of the mission.

"Integrity" value which consists of acting in a fair and honest manner. It is the basis of the trust and credibility given to the audit reports of the Inspectorate General.

It requires of the staff of the Inspectorate General, respect for the principles of independence and objectivity. These personnel should show proof at all times and in all places, of impeccable professional conduct, absolute honesty in their work and in the management of the resources of the Ministry of Finance and ensure that the decisions taken guarantee the general interest of the Ministry of Finance.

"Loyalty" value which consists of not failing in the commitments made towards the Internal Audit in accordance with the general interest.

"Manifestly illegal order": order given by a hierarchical superior contrary to the laws and regulations in force.

"Probity": value which consists in observing the social rules with honesty and integrity.

"Respect": value which demands recognizing and treating others with consideration and without prejudice. This also requires compliance with the decisions and guidelines of the employer.

"Verification": process by which an authorised and independent person meets in accordance with the appropriate verification methods and evaluates the convincing elements relating to information given in view of determining the degree of agreement between this information and the established criteria, and presenting it in a report.

I- ACTORS OF INTERNAL AUDIT

They are :

- the Internal Audit Committee;
- the Minister of Finance;
- the Inspectorate General;
- the Inspectorates of Services

A. The Internal Audit Committee

The Internal Audit Committee shall implement and support the internal auditing function within the Ministry of Finance by periodically reviewing the procedures of internal controls.

The internal Audit Committee has as missions to:

- inform the Minister of Finance on the efficiency of the structure's internal control. This efficiency may give the Minister reasonable assurance that the objectives of the ministry will be achieved;
- prepare, as appropriate, the information serving as basis for decision making by the Minister of Finance;
- ensure the efficiency and the effective independence of the internal audit;

- validate the audit plan of the Ministry of Finance, elaborated by the Inspectorate General to address at the level of control requested by the Minister of Finance, while ensuring its consistency with those of other structures in charge of controls and management of risks;
- periodically carry out the review of the observations of the internal audit by ensuring that they are taken into consideration by the risk map;
- ensure the quality of the internal audit in the Ministry of Finance by validating its audit standards;
- set the general framework of internal control;
- examine, particularly on the basis of information provided by the internal auditors, the effectiveness of internal control systems and risk management of the Ministry;
- assess the activities and work of internal audit of the Ministry of Finance both nationally and abroad;
- give its opinion on the balance between missions and resources of the internal audit.

The Internal Audit Committee is not empowered to make decisions.

The Internal Audit Committee works in collaboration with the Inspectorate General to better fulfil its mission. As needed and when it deems necessary, the said Committee has the full authority to appoint external counsels or to use work done by the technical staff of the Inspectorate General.

Members of the Internal Audit Committee shall undertake to keep strictly confidential all information received in the exercise of their duties, except with regard to the Minister of Finance and other exemptions provided for by law.

The rules of organization and functioning of the Internal Audit Committee are determined by Decision of the Minister of Finance.

B. The Minister of Finance

The Minister of Finance defines the appropriate internal control policies and sees to the effectiveness of the internal control system. In this respect, he is also responsible to set up a system to identify, measure, monitor and control ongoing risks.

In a bid to ensure its independence from the Directorates General, Departments and similar structures, subsidized entities, the Inspectorate General shall report directly to the Minister of Finance who shall:

- examine and validate the annual verification programme;
- arbitrate the points presented by the Inspector General, within the context of reports, and ensure the implementation of the recommendations stemming from the missions carried out on the field;

ensure providing the Inspectorate General with sufficient and adequate human, material and financial resources;

ensure the professional capacity building of the internal auditors serving at the Inspectorate General.

C. The Inspectorate General (IG)

The Inspectorate General comprises an Inspector General of Financial Services and an Inspector General of Administrative and Budgetary Services.

Each Inspector General is charged, within their area of competence, for the establishment of internal audit policies, the definition of the general content of activities in this domain, their planning, the management of their implementation and reports on the results obtained.

He shall ensure the adequacy and effectiveness of internal audits within its area of competence. It shall coordinate verification activities with those carried out by other control bodies whose purpose is to ensure the regularity, sincerity and reliability of the financial and patrimonial situation of the Ministry of Finance. It shall report to the Minister of Finance about the execution of its annual internal audit plan on a six monthly basis.

Internal auditors should refrain from engaging in operational functions or any activity likely to undermine the independence and objectivity of their assessments and their reports.

D. The Inspectorates of Services

The Inspectorates of services are established within the financial services which are Customs, Taxation and the Treasury. They are in charge, each in its sphere of competence, of the internal control of services at the accounting and financial level, the control of the enforcement of texts and procedures, performance evaluation of their services, the fight against corruption, proposals for improving the efficiency of the functioning of services, the monitoring and the proper functioning of central and decentralized services. etc.

E. The Division of Budgetary Control, Audit and Quality of Expenditure

The Division of Budgetary control, Audit and Quality of the Expenditure is in charge of auditing and budgetary control. It also carries out spontaneous missions of inquiry, research, counselling and training.

II. THE ROLE AND GOVERNANCE OF INTERNAL AUDIT WITHIN THE MINISTRY OF FINANCE

A. Missions of Internal Audit

Internal Audit helps the Minister of Finance to achieve his objectives through the adoption of a systematic and methodical approach to evaluating risk management processes, internal controls and corporate governance, while formulating proposals to strengthen the effectiveness of the Ministry of Finance. The aim being for the Internal Audit to provide at all levels of responsibility in the Ministry of Finance, insurance, analyses, recommendations, advice and information concerning the areas it has verified.

It has as general objective to give the Minister of Finance reasonable assurance that the management of the Ministry is in accordance with the norms and standards in this area.

To do this, it shall ensure that:

- the dispositions of the internal control systems are in conformity and function in an optimal manner ;
- the integrity, reliability, confidentiality and continuous availability of information systems are guaranteed ;
- regulatory provisions and internal guidelines are respected and that malfunctions are detected and corrected ;
- strategies, programmes and projects of the Ministry of Finance are implemented with effectiveness, efficiency and economy.

It also has as missions to:

- control and assess the performance of services in relation to set objectives, in conjunction with the Permanent Secretary;
- assess the effectiveness and adequacy of the internal control system, and to identify its strengths and weaknesses;
- control the appropriateness of the risk analysis process implemented by the governing organs of the Ministry of Finance;
- implement the Ministry's strategy in the fight against corruption, in conjunction with the Anti-corruption Unit of the Ministry;
- assess the implementation of organization techniques and methods, as well as the simplification of administrative work in conjunction with the relevant services of Administrative Reform;
- make recommendations by informing on best practices and proposing improvements or corrective actions in view to minimizing risks.

The Inspectorate General also carries out counselling missions included as part of its current activity or in execution of the instructions of the Minister of Finance. Such missions are of four (04) categories:

- formal counselling missions: they are planned and lead to the establishment of a mission statement;
- informal advisory missions: they are executed as part of the current activities of the Inspectorate General, such as participation in Permanent Committees or in ad hoc meetings as well as any task entrusted to it by the Minister of Finance;
- exceptional counselling missions: they are ordered in favour of a system change project;
- crisis situation counselling missions: they intervene after the occurrence of a disaster of any exceptional event or following an ad hoc request of the Minister of Finance or a concern to meet the deadlines of an activity. In this case, the Inspectorate General takes part in the mission team related thereto, ordered as an emergency.

The Inspectorate General carries out missions in accordance with the principles of integrity, objectivity, confidentiality and competence. The nature and extent of each mission of the Inspectorate General are defined by the Minister of Finance.

B. Scope of intervention of Internal Audit

The Internal Audit covers the following areas of intervention:

- financial and budgetary activities, portfolio management and the cash flow of the Ministry of Finance;
- management of the assets of the Ministry of Finance;
- management of the human resources of the Ministry of Finance;
- evaluation of services and information systems;
- evaluation of the system of internal controls and risk management inherent to the activity of the Ministry of Finance;
- counselling.

C. Organization of the Internal Auditing function

In the exercise of his activities, the Inspector General is leading a team of internal auditors. Depending on the nature and content of the audit activity, he may call on external specialists or experts in compliance with the procedures applicable in the domain.

Each internal auditor should receive continuous professional training in order to build their capacity and grow in the profession.

The Inspectorate General must place its work within a programme of ensuring and improving quality based on all aspects of internal audit and presenting the situation of both internal and external evaluation.

It establishes and updates an annual audit programme based on the risk map drawn up beforehand. This programme integrates the resources necessary for its implementation (human, material, financial, temporal resources...). It is submitted to the Internal Audit Committee for visa and to the Minister of Finance for approval.

III. INTERVENTION MODALITIES AND CONDITIONS OF THE INSPECTORATE GENERAL

A. Programming of internal audit missions

The Inspectorate General shall propose each year, a verification programme elaborated from a rigorous analysis of risks and the guidelines of the Minister of Finance.

This proposal shall be validated by the Minister of Finance and subjected to the opinion of the Internal Audit Committee. The said programme then becomes applicable and diffusible to all the operational departments of the Ministry of Finance.

In the course of the year, the Minister of Finance may request the Inspectorate General to carrying out missions not scheduled in the annual audit programme.

B. Modes of action of the Inspectorate General

The Inspectorate General carries out four (04) types of standard audit missions:

- the compliance or regularity audit;
- the performance audit;
- the management audit;
- the strategy audit

Besides, it may carry out any other mission provided for by the regulations in force (evaluation of the functioning of services) or entrusted to it by the Minister of Finance:

1. The compliance or regularity audit

It consists of verifying the proper application of rules, procedures, job descriptions, organizational charts, information system, etc. In this context, the internal auditor compares reality with the rules in force.

This means that the auditor will work in relation with a repository. This is to ensure the reliability/accuracy of procedures, accounts, results, information systems resulting from the correct application of standardized repository.

2. The performance audit

The performance audit consists in examining in an independent, objective and reliable manner if the systems, operations, programmes, activities or State-subsidized enterprises are functioning in accordance with the principles of economy, efficiency and effectiveness and if improvements are possible.

The principles of economy, efficiency and effectiveness can be defined in the following manner.

- The principle of *economy* consists in minimizing the cost of resources. The means employed should be made available in due time, in appropriate quantity and quality and at the best price.
- The principle of *efficiency* consists in getting the maximum from the available resources. It focuses on the relationship between the means employed and achievements in terms of quantity, quality and timeliness.
- The principle of *effectiveness* concerns the achievement of set objectives and obtaining the desired results.

Auditors who control performance must work in a team with different and complementary skills.

3. The management audit

It is broken down into three axes:

The Internal Auditor is presented by the official of the audited sector, the policy that he is supposed to carry out and his mission, in order to ensure that he knows how to articulate

them clearly. The auditor then assesses the extent to which this policy is in line with the strategy of the Ministry of Finance. This is a kind of compliance audit that permits to compare the proposed policy with the overall strategy of the Ministry of Finance.

The auditor goes to the field to examine to what extent this policy is:

- ✓ Known
- ✓ Understood
- ✓ Applied
- ✓ Applicable (that is to say, do those in charge of implementing it have the means?)

This stage of the audit permits to ensure the implementation of the policy of the audited domain.

The Internal Auditor finally verifies compliance with the rules defined for the elaboration of the strategy.

4. The strategy audit

It is conceived as the evaluation of the overall consistency of the policies and strategies of the Ministry of Finance.

The Inspectorate General of the Ministry of Finance may also carry out enterprise counselling and study missions at the request of the Minister of Finance and whose nature and scope are well defined subject to an agreement with the latter.

C. Access to information

As from the launch of the mission, the internal auditor has a free and unrestricted access to all information necessary for his mission whatever their form. All staff members of the audited sectors must collaborate with the internal audit team during the conduct of the mission.

D. The conduct of an audit mission

In order to ensure compliance with professional standards accepted in the domain and the relevance of recommendations, internal audits are conducted according to a predetermined methodology.

This methodology provides for an unfolding in three phases:

- Planning phase;
- Execution phase;
- Report writing phase.

1. Planning phase

Once the entity to be audited has been chosen, members of the control team are designated. This designation is made through an engagement letter and the establishment of mission orders which are sent to the department of the entity to be audited in view to solicit a meeting for presentation of the control team and a set of prerequisite documents, of which the dispatch and exploitation should be done prior to the meeting in question.

The engagement letter shall specify the type and purpose of the mission, the head of mission, the names of members of the mission and experts, as appropriate, the description in annex of the documents necessary for that mission.

It shall equally specify the objectives and the means, the types of work to carry out, the duration of the mission and the deadline for submission of the interim report.

The constituted audit team should plan its work to:

- identify the main elements of the institutional context of the audited entity;
- get to properly situate vote holders at different levels of the organizational chart;
- define the objectives of the audit and the tests that will permit to achieve them;
- identify key points of management mechanism and control and establish a prior evaluation of their strengths and weaknesses;
- determine the relative importance of the elements considered;
- select the most cost-effective and most effective audit approach;
- provide for a critical review if, as a result of the findings of previous audits, reports and recommendations, appropriate measures were taken or not;
- collect the documentation for the audit programme and the areas it intends to control.

The planning phase is sanctioned by the writing of a verification plan which should be approved by the Inspector General.

2- Execution phase

This phase starts with an opening meeting of the mission that allows the head of the internal audit mission to present the objectives of the mission to the audited.

The auditors conduct interviews and perform various tests and verifications of documents and on the spot, in order to base their conclusions on an objective analysis of the facts. On the field, they should define cycles of verification in view not only to optimally manage their work, but also to achieve the objectives set in the verification mission. Each cycle should reflect the overall objective, specific objectives, criteria/standards and documents to collect from the relevant sectors as well as the audit procedures to be implemented.

In order to validate their findings by the audited, members of the mission team shall carry out the validation of the interview report, and then organize a closing meeting, according to the configurations of the missions.

Upon discovery of fraud or irregularity, the Chief of the Inspectorate General immediately informs the Minister of Finance who shall take the necessary measures.

3. Report writing phase

The objective of the conclusion phase of the mission is communication of the final results of the mission. To this effect, the team writes the interim report of the mission which highlights the strengths and weaknesses identified during the mission.

The preliminary report is addressed to those in charge of the sectors concerned during the contradictory phase. A deadline is given them to present their observations.

Following the responses of the audited, members of the audit team write the final report, made up of the findings and recommendations of the mission, accompanied with the audited official's comments. It is signed by the Head of Mission and each member of the mission team. It is addressed to the Ministry of Finance.

The final reports are published at the behest of the Ministry of Finance and other addressees, in accordance with the legislation and regulations in force.

E. Follow up of recommendations of the Inspectorate General's missions approved by the Minister of Finance

A report without following up of recommendations is an unfinished mission, probably without much impact and thus leading to the uselessness and ineffectiveness of the internal audit.

For this purpose, to create added value for the actions of the Inspectorate General, the latter should follow up the implementation of the recommendations made during its work.

To do this, it must obtain from the audited entity, for each recommendation, the designation of an official. A form per recommendation is established and then sent to each official. The reaction (response) of the audited entity with respect to a recommendation should be materialized by an explicit action plan to permanently solve the problem (malfunction or fault detected). The monitoring of progress actions is formalized by the commitment of the officials on the action plans that they defined themselves.

In any case, in order not to affect its objectivity and independence, the Inspectorate General should not take responsibility for the action: choose the solutions and resources and decide on priorities. Its approval of responses only represents an opinion.

It should not:

- substitute the officials, it is up to them to order or authorize the action;
- write procedures or put in place information systems.

The Inspectorate General shall establish a State of Progress Actions (SPA) annually for the attention of the Minister of Finance.

This SPA aims to report on efforts made in the implementation of corrective actions and to report any difficulties encountered.

IV. The responsibility of operational departments and other entities audited within the framework of the Internal Audit process

The audited entities should elaborate an action plan for implementation of the recommendations of the audit work of the Inspectorate General. This action plan should be:

- complete: by specifying "who" will do "what" and "when" it will be done;
- comprehensive and not limited to the cases studied or the sites tested;

- permanent : by permitting the implementation of procedures in order to avoid the problems reappearing (prevention) or to permit to notice it (detection) and to limit its consequences to an acceptable level (protection).

Recommendations should be prioritized according to the following criteria in the plan of action: importance, challenge and priority.

Furthermore, within the framework of the internal audit process, the audited entities shall ensure that:

- the Inspectorate General has unimpeded access to documentation and to the staff members to whom it wishes to address at the time of preparation of the internal audit plans and during specific audit activities;
- the audited structures quickly review the preliminary reports and send their remarks in support of the discussions to be conducted on the findings contained in the report of the Inspectorate General, for their consolidation;
- a formal response following the observations noted by the audit mission is given to the Inspectorate General within the time prescribed by the latter, from receipt of the final audit report, in the form of an agreed action plan stating the measures to be taken, the name of the agent in charge and the due date;
- the agreed action plans are implemented in practice with due diligence;
- the operational units concerned by the action plan report to the Minister of Finance about the implementation of the improvement plan and provide the Inspectorate General with updated information on the progress of the actions and give their total support to follow-up audits in accordance with their needs.

V. The relations between internal audit and external audit

When an external audit mission is carried out in the Ministry of Finance, the internal auditors should work in conjunction with external auditors in order to obtain the best possible results regarding the scope of the audit. Such collaboration should be in compliance with the legal requirements of external auditors.

The internal audit reports should be forwarded to the Supreme Audit Institution of Public Finances and to the Prime Minister, Head of Government, in accordance with regulations in force. This transmission is made at the behest of the Minister of Finance.

FINAL PROVISIONS

This Charter may be reviewed periodically, to ensure its conformity with the missions of the Inspectorate General. Any modification must be approved by the Minister of Finance.

This Charter will be widely disseminated among the staff of the Ministry of Finance which is required to sign the Declaration of acknowledgement the model of which is attached as Appendix 1.

The Minister of Finance
ARMINE OUSMANE MEY