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**Internal Audit Department**

**Audit Engagement Memorandum**

**Review of Purchasing Processes**

**March, 2023**

1. **Background**

Further to the risk assessment update exercise and subsequent development of 2023 audit plan, Internal Audit Department is planning to conduct a review of the Purchasing processes as part of the approved audit plan. The review will be conducted during the months of March/April 2023.

1. **Objectives of the Review**

The objectives of the review are to independently review the system of internal controls, level of compliance with policies and procedures, and the achievement of the desired objectives.

1. **Scope of Wok**

The scope of our review will cover the period from Jan 2022 to Dec 2022 and will include but not limited to, the following:

| **Area Coverage** | **Scope of Work – Review Areas** |
| --- | --- |
| 1. **Governance and Administration** | Availability of documented and approved policies and procedures. |
| Organization structure, Levels of Approvals and Delegation of Authorities |
| Development and reporting of KPIs for the Purchasing section. |
| Clarity of roles and responsibilities undertaken by the Purchasing section. |
| 1. **Committees’ formation** | Formation of Purchasing and Commercial (Bidding Opening) Committee. |
| 1. **Purchasing**  **Planning** | Annual purchasing plan link to other functions for planning requirements. |
| 1. **Supplier Management** | Controls over vendor Masterfile maintained by Purchasing section. |
| Updating vendor list. |
| Pre-qualification process of Supplier. |
| Critical Supplier Development plans |
| 1. **Purchase Request** | Reviewing Purchase Requests and System |
| 1. **Purchasing and Tender Cycle** | Tracking and closing Purchase Requests. |
| Cancelling Purchase Requests. |
| Purchase methodology Criteria |
| Bidding Process and Vendor Selection |
| PO/Contract Issuance and approvals |
| 1. **Cash Purchases** | Petty Cash Purchases and process controls |
| 1. **Contracts Management** | Contract Implementation monitoring. |
| Contracts/Agreements legal review. |
| Contracts Retention Policy |
| 1. **Suppliers’ Performance Assessment** | Assessment methodology |
| Performance evaluation reports |
| Action Plans and Supplier charge back |

*N.B. kindly note that further documents will be requested upon the discussions of the items as indicated above.*

1. **Audit Approach**

The processes to perform the review over the auditable processes are further classified into the following:

**Audit Phase**

**Reporting**

**Execution**

**Planning**

## 

Prepare draft audit report on the adequacy and effectiveness of the control system and the efficiency with which processes are carried out.

Submit draft audit report to the process owner recommending corrective actions to improve controls and operations.

Conduct closing meeting to discuss and validate observations with process owner and help in developing action plans to mitigate risks.

Kick off meeting with process owners to discuss, understand and validate:-

* Overview of the processes being reviewed.
* Key concerns in the activity to be reviewed.
* Key contact points for the review.
* Development of the Audit Program.

Review and evaluate the soundness, adequacy, effectiveness and application of the operational, financial and administrative policies, systems and procedures.

Review and evaluate the integrity, reliability and adequacy of planning and executing the operations.

Identify gaps in control design and operating effectiveness as well as compliance with established policies, plans, procedures, laws and regulations.

* Process Understanding
* Audit Program

**Deliverables**

* Draft Audit Report
* Final Audit Report
* Working Papers

1. **Expectations from Process Owners**

We would appreciate if you kindly arrange for the following:

* **A Focal coordinator** to facilitate the process of providing the required information and documentation during the course of our review. We may also conduct interviews with the respective personnel for further understanding of the current processes.
* Notify the respective personnel “key staff members” about the internal audit review and scope of work.
* According to the Internal Audit Plan, the review of Purchasing processes is scheduled to be kicked off by the First week of March 2023.

1. **Detailed Project Timeliness**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Audit Process / Timeliness** | **March 2023** | | | | **April 2023** | | | |
| **1** | **2** | **3** | **4** | **1** | **2** | **3** | **4** |
| **Planning** |  |  |  |  |  |  |  |  |
| Kick off Meeting |  |  |  |  |  |  |  |  |
| Interviews with Process Owners |  |  |  |  |  |  |  |  |
| **Execution and Field Work** |  |  |  |  |  |  |  |  |
| **Reporting:** |  |  |  |  |  |  |  |  |
| Closing Meeting-draft report |  |  |  |  |  |  |  |  |
| Final Report |  |  |  |  |  |  |  |  |

|  |  |
| --- | --- |
|  | Planning |
|  | Execution |
|  | Reporting |

1. **Proposed Communication and Reporting**

Below is the summary of our expected communications dates:

|  |  |
| --- | --- |
| Activity | Date |
| Kick off meeting | March 05, 2023 |
| Closing Meeting – Draft Report Discussion | April 02, 2023 |
| Final Report including management comments / action plans | April 7, 2023 |

1. **Team**

Below is a listing of the engagement team:

|  |  |
| --- | --- |
| Name | Position |
| Sahar Hussein | Internal Audit Manager |
| Jad | Senior Internal Auditor |

# Audit Assumptions

The following assumptions apply to the scope of this engagement:

* Availability of process owners or sufficiently knowledgeable nominees and active participation in discussions and meetings.
* Availability of relevant supporting documentation from Management.
* Timely receipt of information from Management.
* Receipt of Management responses within three days of issuing the draft report.

Signed Off By:

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**Procurement Department Head**