



2018 ESL UGANDA INTERNAL AUDIT PLAN

Ref: ESLUG - PL-92C/2018

		Signature	Date
Prepared by:	Group of Audit, Risk & Compliance		10/01/2018
Reviewed by:	Country Managers		
Approved by:	Managing Director		10/01/2018

A. Introduction

The Internal Audit, Risk and compliance department was set up in November 2013 (for ESL Uganda, set up is 2018) and its main objectives are:

- I. To continuously assists the organization improve in effective in risk management, control, and governance.
- II. To perform value adding Internal Audit services independently and objectively, so as to provide the board with assurance that operations are effective and efficient.
- III. To promote and support a culture which builds compliance consciousness to allow business to be conducted with the highest standards of honesty and integrity.

B. The Team

The team and their responsibilities :

The Team	Responsibilities	Preparation and Training
Group Audit, Risk and compliance	<ul style="list-style-type: none"> ✓ Planning, organizing, and directing the audit ✓ Lead the team in reaching audit conclusions ✓ Prevent and resolve conflicts ✓ Prepare and complete the audit report ✓ Perform reviews ✓ Keep the team informed on risks 	<ul style="list-style-type: none"> ✓ Training in audit methods and practice ✓ Audit observation ✓ Audit under supervision ✓ Training and updates in customer, regulatory, and quality certification requirements ✓ Training and updates in organization requirements
Assistant internal auditor	<ul style="list-style-type: none"> ✓ Prepare for individual assignments ✓ Gather data, and form conclusions ✓ Contribute to the audit report ✓ Assist in the analysis of data ✓ Perform compliance checks ✓ Internal audit admin duties 	<ul style="list-style-type: none"> ✓ Review of previous internal audits ✓ Training in effective report writing and interviewing
Audit Trainee	<ul style="list-style-type: none"> ✓ Prepare for individual assignments ✓ Gather data, and form conclusions ✓ Contribute to the audit report ✓ Assist in the analysis of data ✓ Perform continuous Audits. ✓ Internal audit admin duties 	

C. Abbreviations

Admin

Administration Department

BCP	Business Continuity Planning
C&F	Clearing & Forwarding
ECSL	Express Chartering & Shipping (T) Limited
E-marketing	Electronic Marketing
ERM	Enterprise Risk Management
ERP	Enterprise Resources Planning
ESL	Express Shipping & Logistics (EA) Limited
FWE	Freightwell Express Limited
HR	Human Resources
ICT	Information Communication Technology
ISO	International Organization Standards.
IT	Information Technology
Opps	Operations Department
SDLC	System Development Life Cycle
SLL	Sovereign logistics Limited
S&M	Sales & Marketing.

D. Corporate Risk Matrix

The risk based internal audit plan review priorities are generated from the risk matrix. The 2018 the risk matrix was as follows:

Risks	Key Risk Drivers	Risk rating	Department
Macroeconomic Risk Issues			
Anticipated volatility in global financial markets and currencies will create challenging issues for our organization to address	Negative Forex exchange movements	H	Finance
	insufficient internal funding, leading to borrowing at higher costs	H	Finance
	increased costs of International Money Transfers	H	Finance
Uncertainty surrounding political leadership in national and international markets will limit growth opportunities	changes in Laws and Regulations	H	Legal
	lack of the appropriate Licenses	H	Legal
	General Business/sales slowdown	H	Sales
Potential changes in trade restrictions or other government sanctions will limit our ability to operate effectively and efficiently in international markets	Trade restrictions (reduced Volume of Business)	-	Sales
Access to sufficient capital will restrict growth opportunities for our organization	insufficient internal funding, leading to borrowing at higher costs	H	Finance
Economic conditions in markets we currently serve will significantly restrict growth opportunities for our organization	Inflation	H	Finance
	Balance of Trade (Imports & Exports)	H	Sales & Marketing
	Foreign Direct Investment/Capital Flow	H	Finance
	Terms of Trade	H	Sales & Marketing
	high Cost of capital	H	Finance
Climate change and extreme weather - Major weather events cost huge losses globally, affecting companies' operating costs, performance and ability to do business. It is likely that weather events will continue to be a major cause of losses in future.	Extreme weather	H	Operations / Sales
	Unexpected changes in whether	H	Operations / Sales
Geopolitical instability -many of our trading companies in other parts of the world, face geopolitical instability hence this affects business confidence and access to raw materials and markets, and disrupts supplies. All these cause	Trade Restrictions	H	Sale & Marketing
	Foreign Direct Investment (investing/fund)	H	Finance

Risks	Key Risk Drivers	Risk rating	Department
uncertainty over investment decisions and product delivery. Geopolitical instability is no longer confined to historically conflicted regions - all countries are now at risk, and every organization must be prepared.	inability to deliver Product /service promptly and as promised	H	Operations
	Negative Global Maritime cycle (Bankruptcies, Mergers and Acquisitions)	H	Finance
	the expected slowdown in global Chinese demand	H	Sale & Marketing
	The expected increase in demand for energy shipping, (demand for energy resources)	H	Sale & Marketing
	Depressed rates for shipping, particularly dry bulk shipping	H	Sale & Marketing
Strategic Risk Issues			
Regulatory changes and heightened regulatory scrutiny may affect the way our services will be delivered	changes in Laws and Regulations	H	Legal
	lack of the appropriate Licenses	H	Legal
	Efficiency (lack of) in service delivery (Operations)	H	Operations
	Fines and penalties	H	Legal
Shifts in environmental, and other customer preferences and expectations will be difficult for us to identify and address on a timely basis	Not fully knowing our clients' needs (customer focus)	H	Sales and Marketing
	Contradicting Cultures/Customs/religions	H	Sales and Marketing
	contradicting Ethics/Values	H	Sales and Marketing
Ease of entrance of new competitors into the industry and marketplace will threaten our market share	changes in Laws and Regulations	H	Legal
	Lots of Business opportunities	H	Sales & marketing,
	Inadequate Quality of services	H	Operations
An unexpected crisis would likely have a significant impact on our reputation given our organization's existing preparedness	Major changes in Management (Director level and Top management)	H	Directors (corporate),
	Major Port Incidents	H	Operations,
	Major ICT incidents (Email, ERP)	M	ICT
Growth through acquisitions, joint ventures, and other partnership activities will be difficult to identify and implement	Little knowledge on competitors and potential partners	H	Operations, Sales
	Contradicting Cultures/Customs/religions	H	Corporate
	contradicting Ethics/Values	H	Corporate
	Inability to raise the required finances	H	Finances
Organic growth through customer acquisition and/or enhancement presents a significant challenge	lack of Sales & Marketing strategy	H	Sales & marketing
	Sales & Marketing Team not able to deliver on set targets	H	Sales & marketing, HR
Substitute services may arise that affect the viability of our current business model and strategic initiatives on the horizon	lack of Innovations	H	Corporate, Sales & Marketing, Operations
	high level of Competition (services level and costs)	H	Corporate, Sales & Marketing, Operations
Inability to meet the set strategic goals / targets / budgets	lack of / inadequate Sales & Marketing strategy	H	Sales & marketing
	insufficient / inadequate Sales & Marketing Team	H	Sales & marketing, HR
	failure to adequately resource the Sales & Marketing department	H	Sales & marketing, Finance

Risks	Key Risk Drivers	Risk rating	Department
Digital marketing - Missteps can lead to major reputational damage, information security and data privacy risks.	Lack of a digital marketing strategy	H	Sales & marketing
	Insufficient ICT skills, to manage the digital media	H	ICT
	Not consistently maintaining oversight / control over the digital media	H	Corporate
Strategic change management - poorly planned change initiatives, mergers and acquisitions or a shortage of resources can reduce the probability that these plans will succeed.	Departmental structures not aligned to the corporate strategy	H	HR
	failure to communicate initiatives	H	HR
	Inadequate allocation of resources to specific initiatives	H	Finance
Risk culture - "right tone at the top" otherwise middle management might make decisions that have not fully calculated risks leading to huge losses.	Lack of a risk management policy	H	Audit
	Risk management policy not communicated	H	Audit
	Inadequate risk management skills and knowledge	H	Audit
Strategic workforce planning - Urgent efforts to drive company growth are exposing poor talent management and planning processes. This is exacerbated by increased competition for top skills and poor succession planning.	skills and competences not properly aligned actual jobs	H	HR
	Lack of clear succession plans	H	HR
	Specific job requirements to properly identified	H	HR
Operational Risk Issues			
Our reliance on outsourcing, strategic sourcing and other partnerships to achieve operational goals may prevent us from meeting organizational targets or impact our brand	Contracts/Service Level agreements	H	Legal, Operations
	Conflicting Values / Ethics	H	Legal, Operations
	Undue Influence	H	Legal, Operations
Succession challenges and the ability to attract and retain top talent may limit our ability to achieve operational targets	Mentorship	H	Corporate
	Training	H	HR
	Delegation/Exposure	H	HR
	HR Policies	H	HR
	Succession Planning	H	HR
	Remuneration/ Reward	H	HR
	Management Style	H	Corporate,
Cyber threats and Information security - Lack if clear policies, training and IT security teams, serious data breaches and incidents continue to occur. The risks are compounded because, not only from external attacks, but employees also violate the general company's security policies. Data privacy - Company is collecting personal data about their customers and employees, so it is becoming ever more challenging to ensure privacy of this data especially with the use of outsourced IT providers or cloud-based services.	Confidentiality (hacking, phishing)	H	Legal
	E - Identity	H	ICT
	Denial of Service Attacks	H	ICT
	ICT Policies	H	ICT
	Knowledge / Training / Awareness	H	ICT
	Storage of information/data (onsite, offsite, 3rd party or physical or e-data)	H	ICT & ADMIN
	Type of security measures in place	H	ICT
	ownership of ICT systems	H	ICT
	Privacy laws and Regulations	H	ICT
Our existing operations may not be able to meet performance expectations related to quality, time to market, cost and innovation as well as our competitors	Work schedules / operational plans	H	Operations,
	Operations procedures	H	Operations,
	Operations personnel/knowledge	H	Operations,
	Communication & Reporting	H	Operations,
	Technology	H	ICT
	Outsourcing (operations)	H	Operations,
	Finances	H	Finance
	Assets (Operations)	H	Finance
	Incident handling & preparedness	H	Operations,

Risks	Key Risk Drivers	Risk rating	Department
Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency is likely to affect our management of core operations and strategic plan			
Understanding how the industry will evolve in response to economic, political, demographic and technological trends - from shipbuilding to cargo routes, to the future of seafaring - is going to be an essential endeavor for businesses	Insufficient &/or inaccurate data on trends	H	Operations, sales & marketing
	Lack of Capacity/Knowledge to analyze data	H	Operations, sales & marketing
	Data not generated on a timely manner	H	Operations, sales & marketing
	high costs of acquiring and maintaining data	H	Finance
	Failure to act of data on a timely manner		Operations, sales & marketing
Resistance to change will restrict our organization from making necessary adjustments to the business model and core operations			
	"Status Quo"	H	HR
	Communication	H	HR
	Involvement	L	HR
	Fear		HR
High taxation	Lack capacity/knowledge	M	HR
	Tax laws & Regulations	H	Finance, Legal
	Ethics	H	HR
Loss of Customers / key business	inefficient Quality Service level	H	Operations
	Terms and rates not competitive to client	H	Sales & marketing, operations, finance
	Relation / customer engagement not favorable to client	H	Sales & Marketing
	failure to promptly and accurately Communicate to clients	H	Sales & Marketing
	Inadequate Code of Conduct /Ethics	H	HR
Third parties - there are numerous third parties risks especially when it comes to access to key corporate information and data and their importance in sensitive roles, and functions	loss of Confidentiality	H	Legal
	inadequate or lack of Contracts / Service Levels	H	Legal
	lack of or inadequate Procedures to deal with 3rd parties	H	Legal
	Actively monitoring of 3rd parties	H	Legal
Compliance management - The flood of new regulations and increased enforcement continues to be a challenge. The risk can be multiplied by the need to ensure newly acquired companies are compliant. (Companies Act 2015, Value added tax bill (amendment 2016), Finance bill 2016, the information communication and technology practitioners bill 2016, The special economic Zones Bill 2015, The warehouse receipts system bill 2015, The insolvency bill 2015, the excise duty bill 2015, the tax procedures bill 2015, Mombasa port charter 2013,	changes in Laws & Regulations	H	Audit, legal
	insufficient internal Procedures	H	
	lack of Compliance checks	H	

We benchmarked our corporate risk matrix using a research conducted by North Carolina State University's ERM Initiative & Protivity on Executive Perspectives on top Risks for 2017 - Key Issues discussed in the boardroom and C-suite (<https://erm.ncsu.edu/az/erm/i/chan/library/NC-State-Protiviti-Survey-Top-Risks-2017.pdf>)

The following risks were considered to be of minimal impact but will be monitored to ensure they are included if they have an impact:

Macro-Economic Risk Issues

- Anticipated increases in labor costs may affect our opportunity to meet profitability targets.
- Sustained low fixed interest rates may have significant effect on the organization's Operations.

Strategic Risk Issues

- Shifting expectations may trigger shareholder activism for our organization that may significantly impact our organization's strategic plan & Vision.

E. Functional Risk Ranking

Since ESL Uganda limited is newly established, functionally only three areas will be of focus:
Sales and marketing, operations and finance

F. Audit Objectives and Criteria

For each audit assignment, the objectives will be reviewed and drawn up with a focus on:

- Process improvement (i.e. the efficiency, effectiveness and economy of controls)
- Risk management i.e exposures noted and how they were resolved and monitored,
- Compliance testing

G. Overall Internal Audit Schedule and Assignments

The schedule of detailed audit work will be as follows:

SCOPE 1: Internal Audit

Each quarter, complete review of Sales and marketing, operations and finance (including Administration)

SCOPE 2: Risk management

- Sensitization
- Follow-up on areas not yet implemented
- Identification of opportunities
- Updating the Risk List

SCOPE 3: Compliance

- Rules and regulations,
- URA (Income Tax, Customs and Excise, Value-Added Tax Requirements)
- East African Community Customs Management Requirements
- Stamp Duty and Standards Levy Requirements
- Companies Act. Requirements
- Financial Reporting Standards (IAS, IFRS)
- Labor Related laws
- Occupational Health and Safety rules (OHSA) and NEMA regulations.
- ISO 9001: 2008 / 2015 Quality Policies and Procedures
- Authorized Economic Operator Guidelines (AEO)
- FONASBA – Quality standard for ship brokers and agents
- Transfer pricing related issues.

SCOPE 4: QMS

- Follow-up implementation of QMS
- Ensure complete implementation of Action plans for Non-conformities.