

Planning the Audit



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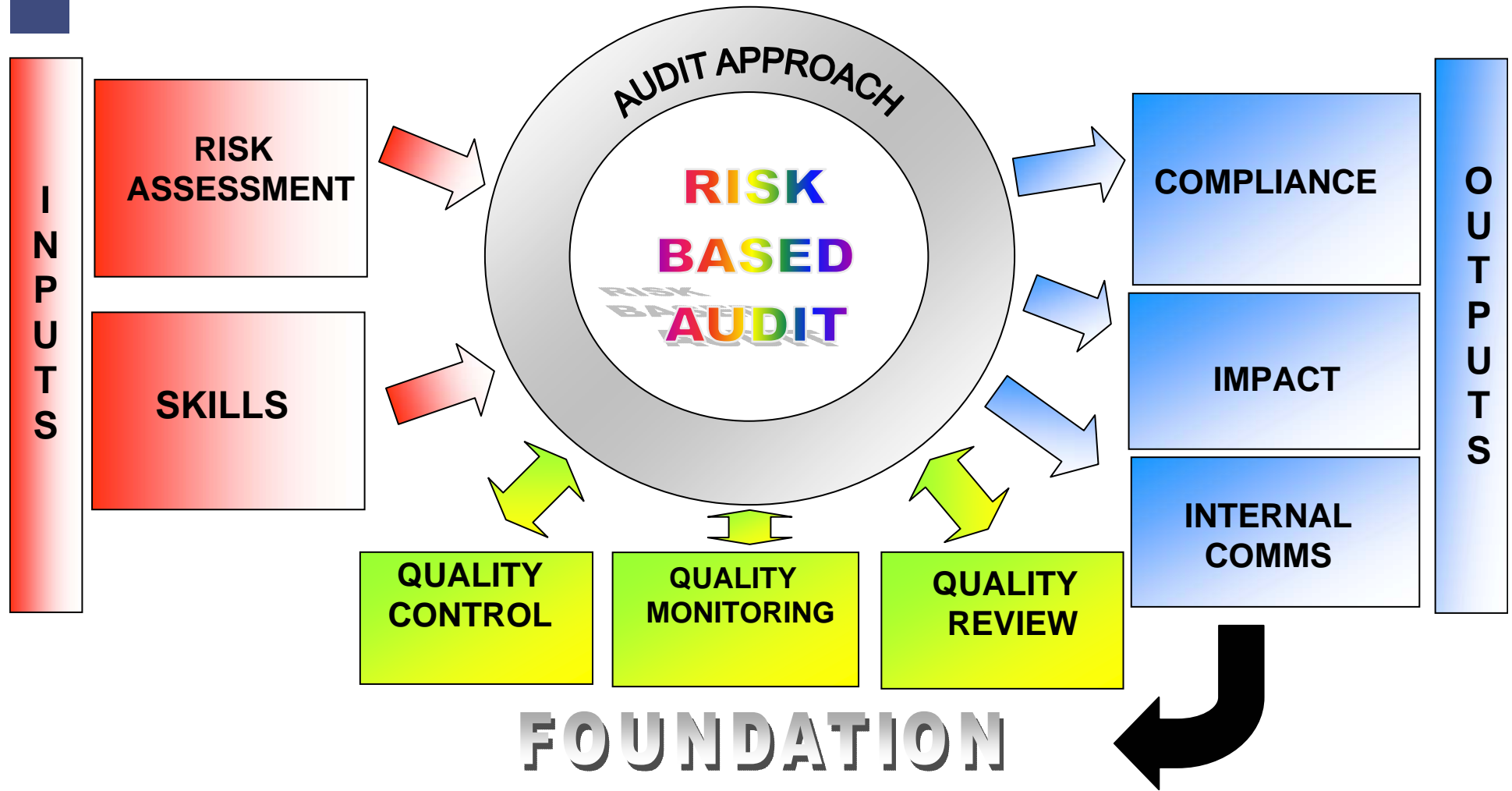
This presentation covers.....

- Background
- Risk Based Audit
- Stages of the Audit

Background to each audit

- Legislative framework e.g.
 - Audit Commission Act
 - Accounts and Audit Regulations
- The Code of Audit Practice
- Standing guidance to auditor
- For opinion: International standards on auditing (UK&I)

Audit Commission
Presentation



Risk based audits

Audit risk of giving an ‘unsafe’:

- **opinion on the financial statements**
- **conclusion on the adequacy of the audited bodies’ arrangements**

How do we evaluate risk to plan our work?

- Opinion work: Materiality
- VFM: Significance



The stages of the audit

1. Fee planning
2. Opinion: Pre – statements
 - Planning: understanding the audited body and information systems
 - Developing a testing strategy
 - Carrying out audit procedures
 - compliance testing
 - substantive
3. Opinion: Post – statements
 - Update testing strategy
 - Carry out audit procedures
 - Reach an opinion
4. VFM
5. Closure

1. Fee planning

- Consider national sector specific risks
- Consider local risks
- Risk assessment
- Estimate resources to complete audit work and calculate fees
- Produce Audit Plan

The Audit Plan

- Presented to Organisation in April
- Sets out risks and response
- Timetable
- Team
- Independence
- Fee

2. Opinion: pre - statements

- Understanding the audited body
 - Regulatory factors, nature of entity and sector
 - Internal control: control environment, IT, fraud risk assessment, protocols, business risk
 - Client and team discussions
- Understanding the information systems
 - Identify the systems
 - Document and walkthrough
 - Identify key controls
- Pre statements audit assurance
 - Develop testing strategy
 - controls assurance or substantive testing

3. Opinion: post - statements

- Update testing strategy, including:
 - Update materiality calculation
 - Review draft accounts
 - Lead schedules
- Carry out mandatory testing
- Further risk based audit procedures - controls or substantive
- Evaluate findings
- Reach audit opinion
- Report to those charged with governance
- Give audit opinion

4. VFM Conclusion

- 9 criteria and 12 key lines of enquiry
- Consider the arrangements the audited body has in place against each criterion
- Reach conclusion as to whether:
 - arrangements are satisfactory
 - arrangements are unsatisfactory
 - arrangements are generally satisfactory except for....
- Issue VFM conclusion

5. Closure

- Ensure planned work completed
- Report findings
- Close audit
- Carry forward risks to next plan