

Auditor General's Department
Audit Procedural Manual

Auditor General's Department (AuGD)
Audit Procedural Manual

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1. Introduction

1.1. Preface

This manual is designed for the information and guidance of the staff of the Auditor General's Department (AuGD) in assisting the Auditor General in carrying out his/her statutory duties. It is also intended to enable officers newly recruited to the AuGD to readily obtain an idea of the nature of the work which they will be called upon to perform and to understand how they fit into the overall organisation. All officers are required to make themselves familiar with the contents of the manual and to apply them in conducting assignments.

The main purpose of this manual is:

- a) To set out the policies and procedures relating to all aspects of the auditing function for use by the audit managers and staff of the AuGD
- b) To facilitate the preparation and presentation of accurate, timely and reliable financial statements and audit reports
- c) To ensure consistent application of the policies
- d) To provide a tool for directors and managers to ensure proper management control and follow-up
- e) To facilitate staff training in the auditing procedures
- f) To support uniform handling of similar activities to optimise coordination of tasks and minimise redundancies
- g) To limit independent actions by setting guidelines for the type and direction of actions to be taken

In order to achieve the above purposes, the AuGD retains all managerial and administrative rights that include but are not limited to:

- The right to exercise judgement in establishing and administering policies, practices and procedures, and to make changes in them
- The right to take whatever action necessary to meet the AuGD's objectives and business needs
- The right to set the standards of productivity and performance

The information and instructions contained in this manual are for departmental purposes only and should not be quoted outside the AuGD. All officers are invited to submit suggestions from time to time either by way of amendment or addition of new paragraphs to keep the manual up to date.

1.2. Context of Our Annual Audit Practice

The AuGD operates in a unique environment which comprises a number of key characteristics that have shaped our annual audit practice. These characteristics are summarized in the table below. The policies and practices related to these characteristics are outlined in more detail throughout this manual.

Key Characteristics	Impact on our Practice
<p>Legal Mandate The legal mandate of the Auditor General is described in general terms in the:</p> <ul style="list-style-type: none"> • Jamaica Constitution 1962 • Financial Administration and Audit (FAA) Act 1959 	<ul style="list-style-type: none"> • As a statutory audit office, we must have a proper legal basis for all of our annual audit work • Terms of engagement are dictated by legislation, but we strive to be as consistent as possible across our portfolio • Communicating with senior management of audit entities is important to ensure that we share a common understanding of the terms of our annual audit engagements.
<p>Appointment of the Auditor General</p> <ul style="list-style-type: none"> • The Auditor General is appointed by the Governor General • The Auditor General under the provision of the Jamaican Constitution shall not be subject to the directions or control of any other person or authority. 	<ul style="list-style-type: none"> • We have a high degree of independence. However, we do need to avoid situations involving potential conflict of interest. • Except in limited circumstances, the Office does not charge and/or recover fees. Nevertheless, we still have an obligation to be economical, efficient, and effective in our annual audit work.
<p>Reporting Framework AuGD presents annual reports on the results of the audits to the House of Representatives and and a sub-committee, the Public Accounts Committee (PAC)</p>	<p>Our annual audit work should be consistent with the expectations of Parliament. Addressing compliance with government regulations is an integral part of the Planning, Execution, and Reporting phases of every annual audit.</p>
<p>Audit Entities</p> <ul style="list-style-type: none"> • The following entities must have their accounts audited by the AuGD every ear: <ul style="list-style-type: none"> ○ Court of Appeal ○ Supreme Court 	<p>Even though we generally have a long history with most of our audit entities, our environment is a dynamic one. Maintaining a sound knowledge of the entity's business and risks is an ongoing activity that should</p>

Key Characteristics	Impact on our Practice
<ul style="list-style-type: none">○ Offices of the Clerk to the Senate and the House of Representatives, Departments○ Offices of the Government of Jamaica including the office of Cabinet○ Judicial Service Commission○ Public Service Commission○ Foreign Assisted Projects• There is little change from year to year in the portfolio of audit entities for which the AuGD performs annual audits. The AuGD therefore has considerable experience with most of the entities we audit.• In some entities, the AuGD conducts performance audits, information technology audits, and/or other types of audit work that further enhance our understanding of these entities.	<p>be visible throughout all phases of our annual audit work.</p>

Office Methodology and Practices

- The AuGD has an established methodology for conducting annual audits.
- Our methodology evolves with changes in professional standards.
- We strive to “build in” quality throughout all phases of the annual audit.
- The methodology described in this manual applies to all of our annual audits.
- As part of our “continuous learning” initiatives, the AuGD monitors developments in professional standards in other legislative audit offices.
- We promote and encourage supervision and coaching to ensure the development of staff and quality work. We expect file reviews to be completed on a timely basis, the main objectives being to confirm that quality work is being done and to resolve issues as they arise.

2. Introducing the Audit Department

On the appointment of any person to a new department, several questions are bound to present themselves to his mind- what is the real function of the department? What are its powers, duties and responsibilities? What is the office organisation? What will I be required to do? What steps will be taken to ensure that I will be able to undertake the duties which will be allotted to me? These are but some of the questions. This document is intended to supply the answers in so far as the Auditor General's Department (AuGD) is concerned.

Finance in Government as in any other organisation is an all important factor. The best laid plans, the most ambitious schemes are bound to failure if there is not the means wherewith to finance them.

Every year the Government presents to Parliament, Estimates of Revenue and Expenditure. These Estimates tell the taxpayer what schemes and services the Government will undertake and maintain during the year and the nature and amount of taxes which must be levied and loans raised to finance them. The Estimates when passed by Parliament become a contract between the Government and the taxpayer that the Revenue which the taxpayer is being called upon to contribute and the loans raised will be utilised for the purposes for which they have been approved.

It would be very difficult for either party to this contract to be able to satisfy himself without assistance that these requirements are being met even if all collections and disbursements were being made in one office, but when as is known the collection and disbursement of government funds are spread over so many of the agencies of government the task would be physically impossible; but such information is vitally necessary. How then can it be provided?

2.1. Enter the Auditor General

The answer to that question is that an officer is specially appointed under Sections 120 to 122 of the Jamaica Constitution to give the necessary assistance. That officer holds a watching brief both in the interest of government and in the interest of the taxpayer. That officer must bring to the attention of government any case in which the financial terms of the contracts are not being complied with or in complying with those terms due regard is not had for the need for economy. That officer must bring to the attention of the taxpayer any case in which the taxpayer is not getting full value for his money within approved limits. In short, that officer must be eyes, ears and conscience of both the Government and the taxpayer. That officer is the Auditor General who, through his/her annual report laid on the table of the House of Representatives must keep both parties to the contract advised of what is happening.

The Auditor General is therefore responsible for the examination of all public accounts of the Government and although not responsible for the accuracy of the accounting records so as to relieve accounting officers of their own responsibility which primarily rests with them, (s)he will apply such an examination as will enable him/her to ascertain that the accounts are kept in the approved manner, that they are punctually and properly posted and that the checks against irregularity and fraud are adequate and effective. (S)he will also satisfy him/herself that the laws, regulations and instructions in financial matters are strictly observed.

2.2. Delegation of Duties and Responsibilities

As has been seen the duties and responsibilities of the Auditor General are heavy and (s)he could not possibly perform all these functions him/herself. Government therefore provides him/her with staff. Each member of the staff is entrusted with the duty of carrying out all the duties and assuming all the responsibilities which are by law and regulations vested in the Auditor General with two exceptions.

That word entrusted. An officer entering another Government Department is given or assigned a duty. It is generally a more or less routine task at first with no great responsibility attaching to it for any error or omission by the new entrant is likely to be discovered and rectified within the department before any harm is done. In the Audit Department almost from the outset, the new comer has a much greater individual responsibility. The use of the word 'entrusted' is therefore not casual. It is a proper recognition of the position.

From the very outset each officer is responsible to the Auditor General for the proper performance of these duties and the Auditor General accepts full responsibility for everything done by his/her officers in their official trust. Be it semi-official enquiry orally or by letter, or formal enquiry by query. It should be realised that this is not merely a theoretical position. It is one which has had to be reaffirmed from time to time when departments question the propriety of an enquiry by an officer of the Audit Department.

The nature of the trust and the importance of it cannot be too strongly stressed and a proper appreciation of this trust will make it easier for the officer concerned to conduct that part of the admit which is allotted to him/her in a way that the Auditor General will not be called upon to audit as improper or injudicious action for which (s)he accepts responsibility. When in doubt as to whether a payment or procedure should be accepted or questioned, the question should be asked – what would the Auditor General do? Reference should be made to the laws, rules, regulations and other recorded instructions and decisions. Then and not until then would the officer be in a position to suggest through his/her senior officer the line the Auditor General should take.

The examination of the accounts may be carried out either at the Audit Office or at the offices of the various accounting officers as may be convenient. As a result, very few officers will find themselves stationed at head office.

Programmes or work approved by the Auditor General are to be prepared for the guidance of officers assigned to the various audits. These programmes should not be departed from except on the instructions and on the personal responsibility of the Divisional Officer. Officers are however urged to make suggestions for the general improvement of the programmes and to point out instances in the programmes where changes may seem desirable or advisable owing to variations in the scope of internal audit, changes in the accounting system, staffing, etc. A section setting out in more details the procedures for planning and conducting the various audits is included at a later stage in the manual.

3. Approach to Annual Audits

3.1. Key Elements of Our Annual Audit Methodology

The key elements of the AuGD's annual audit methodology are as follows:

- Risk-based Audit Approach
- Knowledge and Experience with the entity
- Professional Judgment
- Teamwork

3.1.1. Risk-based Audit Approach

To reduce our audit risk to an acceptably low level as well as to allow us to focus our audit effort more efficiently and effectively, reducing over auditing of audit areas of low risk and makes best use of existing resources, we apply the risk-based approach. This entails:

- Assessing the risks – identifying and prioritising key risks affecting efficiency and economy as well as material misstatement.
- Designing and performing further audit procedures that both respond to assessed risks and reduce the risks identified to an acceptably low level

Our audit approach requires us to understand the entity sufficiently to identify and respond to all aspects of risk of material misstatement as it relates to obtaining reasonable audit assurance. As part of the risk-based approach, it is important to determine the internal controls framework of the entities and its capacity to address any risks identified. Our approach is in accordance to International Standards of Supreme Audit Institutions (ISSAI) 1315 which deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements, through understanding the entity and its environment, including the entity's internal control.

We are committed to adopting a reliance on controls approach to our audits where possible, recognizing that it is generally the most cost-effective strategy. We identify the controls best suited for reliance by drilling down through the organization, and generally place reliance on the highest level controls that we believe will help us achieve our audit objectives.

The degree of control reliance should always be assessed on a continuum. Reliance can range from very low to very high levels, depending on the design of the controls, the level of audit assurance provided, and the ability to test the controls cost-effectively. The auditor determines where the entity lies on the "controls continuum" for each business

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cycle. In other words, the auditor determines the level of assurance—from control testing—that is likely possible in the circumstances and shall design audit procedures in accordance to this assessment.

3.1.2. Knowledge and Experience

Our cumulative audit knowledge and experience with the entity should always be considered as a source of information when designing our audit plan and approach. The AuGD has a considerable amount of knowledge and experience in almost all of our entities due to our long-standing role as their auditors. In addition, the performance audits or special examinations on many of our clients, broadens our knowledge of the entity and its business. Our knowledge of the entity is derived over the years from:

- Knowledge of the entity's objectives and risks
- Assessments of its control environment
- Understanding of its information systems and computer environment
- Relationships built and maintained by staff with audit client
- A history of known errors in specific areas and an appreciation for any complex and/or high volume of transactions it enters into.

3.1.3. Professional Judgment

We believe in delegating responsibility as appropriate, and emphasize the importance of applying the knowledge, skills, and experience of our Auditor General and senior audit staff and management. The professional judgment of these individuals shall play a crucial role in determining the nature and extent of the audit procedures for each of our audit clients.

3.1.4. Teamwork

We are committed to working as a team and emphasizing collaboration and two-way communication. Team leads explain clearly what is required and expected, and audit staff to discuss the progress of their work and their audit findings with the team lead as the audit evolves. Consequently, review occurs as the audit work progresses, not at the end of the audit. Our objective is to do the right work and do it right the first time.

3.2. AuGD Approach to Conducting an Annual Audit

The objective of our audits is:

- To evaluate the efficiency, economy, legality and effectiveness with which the clients carry out their financial management and programme responsibilities.

- Bring about improvements in the management and conduct of government financial activities and programmes.

Our audits consist of three (3) main phases:

1. Planning
2. Execution
3. Reporting

3.2.1. Engagement Management

These activities are part of the Planning Phase and examples of these activities include scheduling staff and team meetings, establishing timetables and budgets, obtaining auditor independence confirmations, and preparing the engagement letter.

3.2.2. Annual Audit Planning

These activities must be in accordance with the ISSAI 300¹, which specifies that Auditors should plan the audit in a manner which ensures that high-quality audits are carried out in an economic, efficient and effective way, and in a timely manner.

These activities entail knowledge of the entity and risk analysis which are designed to provide the audit team with sufficient understanding of the entity and its environment (including internal controls). At this stage, risk analysis activities focus on identifying risks related to the entity and its business environment, fraud, and internal controls.

During this stage the audit team should plan the audit in accordance to the ISSAI 300², which states that the auditor should:

1. Identify important aspects of the environment in which the audited entity operates
2. Develop an understanding of the accountability relationships
3. Consider the form, content and users of audit opinions, conclusions and reports
4. Specify the audit objectives and the tests necessary to meet them
5. Identify key management systems and controls and carry out a preliminary assessment to identify both their strengths and weaknesses
6. Determine the materiality of matters to be considered

¹ Please refer to ISSAI 300 paragraph 0.3 for further details

² Please refer to ISSAI 300 paragraph 1.3 for further details

7. Review the internal audit of the audited entity and its work program
8. Assess the extent of reliance that might be placed on other auditors, for example, internal audit
9. Determine the most efficient and effective audit approach
10. Provide for a review to determine whether appropriate action has been taken on previously reported audit findings and recommendations
11. Provide for appropriate documentation of the audit plan and for the proposed fieldwork.

This information is used to develop the Audit Approach (a high-level summary of the scope, timing, and approach to the audit by cycle) and for designing Detailed Audit Programs/Plans which includes the nature, timing, and extent of the audit procedures³. These activities shall also facilitate establishing an overall audit strategy.

3.2.3. Annual Audit Execution

These activities—the Execution Phase—include executing our detailed audit programs, and documenting our audit procedures and conclusions.

3.2.4. Annual Audit Reporting

These activities form the Reporting Phase of our audits. They include evaluating our audit results, revisiting our risk assessments, determining if sufficient and appropriate audit evidence has been obtained, communicating our audit findings, issuing our report(s), and completing the file.

3.3. Scope of Audits

Our audits should extend into important aspects of an entity's operations. They are not restricted to accounting matters or to books, records and documents.

The full discharge of our audit responsibility with regard to any entity could require that we conduct:

- Audits of financial statements, operations and compliance
- Audits of effectiveness, efficiency and economy of operations
- Audits of programme results

³ Please refer to ISSAI 300 paragraph 1.4 for audit plan steps

There are four (4) specific audit units at the AuGD and they are described in the table below.

Audit Unit	Description
Financial Statement	Conducted to determine whether the financial statements of an audited entity present clearly the financial position and results of financial operation in accordance with generally accepted accounting principles.
Compliance	Conducted to determine whether the entity has complied with applicable laws and regulations that may have a material effect upon statements.
Performance	<p>Conducted to primarily identify improvements needed. These audits evaluate whether:</p> <ul style="list-style-type: none"> • The agency's resources (funds, assets and personnel) are adequately controlled and used effectively, efficiently and economically. • The programmes and activities of the entity are conducted and expenditures made in an effective, efficient and economical manner and in compliance with the requirements of applicable laws and regulations and in relation to the achievement of the objectives of the entity.
Information Technology (IT)	<p>Conducted to ensure that the entity's systems have adequate controls in place and are operating effectively and efficiently to achieve each entity's objectives. The objectives of these audits are primarily to:</p> <ul style="list-style-type: none"> • Assess the relevant general and application controls of each system • Determine data consistency and completeness • Determine whether there is compliance with relevant laws, regulations, and guidelines • Determine whether the objectives of each system are being met in an efficient and effective manner • Assess whether each system adequately supports the respective business objectives of the entities.

4. General Audit Management

4.1. Roles and Responsibilities

4.1.1. Role and Responsibilities of the Auditor General

According to the Jamaica Constitution section 122, the role of the Auditor General (AG) is to audit on an annual basis all of the public accounts including:

- The accounts of the Court of Appeal
- The accounts of the Supreme Court
- The accounts of the offices of the Clerks to the Senate and the House of Representatives
- Offices of the Government of Jamaica including the:
 - Offices of the Cabinet
 - The Judicial Service Commission
 - The Public Service Commission
 - The Police Service Commission
- The Auditor General will also examine upon request any (special investigations).

In accordance with the Financial Administration and Audit Act section 25, the Auditor General has the following responsibilities (functions) in the examination of the public accounts:

- The accounts referred to in that section are being faithfully and properly kept
- The rules and procedures framed and applied are sufficient to secure an effective check on the assessment, collection and proper allocation of the revenue and other receipts of the Government
- All money expended and charged to an appropriation account has been applied to the purpose for which the provision made by Parliament was intended and that any payment of public money conforms to the authority which governs it, and has been incurred with due regard to the avoidance of waste and extravagance

- Essential records are maintained and the rules and procedures framed and applied are sufficient to safeguard the control of Government property
- The provisions of this or any other enactment relating to the administration of public moneys and Government property have been complied with
- Satisfactory procedures have been established to measure and report on the effectiveness of programmes and services.

4.1.2. The Audit Team

Conducting audits involves the teamwork of all team members in pursuit of the goal of an efficient, effective annual audit that satisfies the terms of engagement, meets Parliament's and other stakeholders' needs, and complies with professional standards and AuGD policies. The Audit team consists of the following members:

- Senior Directors
- Directors
- Audit Managers
- Senior Auditors
- Assistant Auditors
- Audit clerks, as required
- External consultants, as required
- Dependent upon the circumstances, the responsible Divisional Director may operate as a member of the audit team and provide oversight support
- Smaller teams may not include all of the staff levels listed above.

4.1.2.1. Responsibilities of the Senior Director

The Senior Director will act as the engagement leader and is accountable to the Auditor General for final reports and is responsible for providing assurance to the Auditor General that audit engagements in their portfolio are carried out in compliance with the AuGD's policies, professional standards and the AuGD's quality controls. This is in accordance with ISSAI 300⁴ which states that supervision of the audit is essential to ensure the fulfilment of audit objectives and

⁴ Please refer to ISSAI 300 paragraph 2.2 and 2.3 for further details

the maintenance of the quality of the audit work. As such, the primary functions of the audit Senior Director for audit quality are to:

- Develop detailed plans and establish assignment and performance objectives for audit staff. They are expected to ensure that audit findings are validated and properly and completely documented
- Provide strategic input to shape the objectives of the audit
- Identify anticipated contentious issues and monitor actions to address such issues
- Ensure that resources provided to the team are managed effectively and efficiently in conducting the audits within their portfolio
- Provide assurance to the Auditor General that the audit engagements in their portfolio are carried out in compliance with the AuGD's policies, professional standards and the AuGD's quality controls

In accordance with ISSAI 300, supervision is essential to ensure the fulfilment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is therefore necessary in all audits, regardless of the competence of individual auditors and supervision should be directed both to the substance and to the method of auditing⁵. The review of the audit reports by the Senior Director subsequent to the team lead review brings more than one level of experience and judgement to the audit task and should ensure that:

- All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report
- All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a Divisional Director
- Changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

4.1.2.2. Responsibilities of the Team Leads-Director/Audit Manager

The Team Leads have primary responsibility for ensuring that the strategic plan and detailed audit plans are executed as intended, supervising and coaching staff,

⁵ Please refer to ISSAI 300 paragraph 2.3 for further details

and resolving day-to-day audit management issues. The responsibilities are as follows:

- Lead the development of the detailed audit plans for individual sections of the audit
- Resolve audit issues as they arise, working with staff, the client, and the engagement manager(s) as necessary
- Draft internal and external communications, including reports to the audit committee, and management letters
- Ensure that the detailed audit plans are executed in accordance with the direction set out in the annual audit plan
- Assign team members to audit tasks, taking into account their capabilities and personal interests, as well as developmental opportunities
- Manage the day-to-day aspects of the audit, including “on-site” supervision of audit professionals and others
- Ensure that junior staff understand the audit objectives of their specific tasks, the audit procedures they will execute, and the deadlines for this work
- Coach team members on an ongoing basis, performing any necessary on-the-job training and resolving minor audit issues as they arise
- Keep the engagement leader (Senior Director) apprised of any significant audit issues and assist in analyzing significant audit issues and proposing strategies to address them
- Ensure that the detailed audit plans are executed properly
- Compile all working paper files and conduct the file review in a timely basis
- Execute the audit plan for high-risk areas requiring a significant degree of management, judgment or estimates, or that involve complex transactions
- Ensuring that key audit documents (such as legal letters, the management representation letter, the list of required client-prepared schedules, and confirmations) are prepared on time and in an accurate manner
- Lead by example in terms of coaching, listening, supporting, assisting, and establishing collegial and inclusive working relationships
- Lead and participate in team meetings and sharing information that is significant to the work of other team members
- Monitor the status of the audit and attending progress meetings with the client

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- **Evaluate the performance of staff and complete performance appraisals for each team member after each assignment**

4.1.2.3. Responsibilities of the Team Members

The team members have primary responsibility for completing individual sections of the audit assigned to them and working closely with team leads to ensure they achieve the intended objectives of their work. The general responsibilities of team members include:

- Understand the audit objectives of all work to be performed before their execution
- Execute one or more audit sections in accordance with the detailed audit plan
- Seek guidance and direction from the team lead when audit issues are identified
- Inform the team lead and/or engagement lead on a regular basis of the work being done, audit findings, overall progress, any constraints or difficulties being encountered, and other relevant information
- Identify any opportunities to improve the audit approach or specific audit procedures
- Document the work performed, efficiently and effectively, in accordance with the AuGD policies, including documentation of exceptions
- Supervise one or more team members, including audit trainees and/or other staff
- Ensure that more junior staff understand their areas of responsibility, the audit procedures they will be executing, and the planned completion date
- Prepare working papers in a timely manner stipulated by the audit plan and/or under the direction of the team lead
- Be receptive to coaching, on-the job training and working paper file review by the team leads
- Participate in team meetings and sharing information that is significant to the work of other team members
- Make the team lead aware of any real or potential conflicts of interest that could threaten the actual or perceived independence of the auditor.

It is important to note that staff may fill different roles for different aspects of the audit. For example, an auditor may have responsibility for more than one section of the audit file and may have supervisory responsibilities for one of those sections.

In this example, the auditor will perform some elements of the role of team leader for the section where he/she is supervising the work of another staff member and will assume the role of team member for those sections where she/he has sole responsibility

4.2. Audit Evidence

Audit evidence is the specific information obtained during the audit through activities such as observing events, asking questions and seeking answers, and examining and analyzing records and other data. The audit findings, conclusions and recommendations must be based on evidence, which is in accordance with the ISSAI 300. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer-based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant⁶. In accordance with ISSAI 300 which states that, field standards include competent, relevant and reasonable evidence should be obtained to support the auditor's judgement and conclusions regarding the organisation, program, activity or function under audit.

It is essential to comply with professional standards for documenting the nature, extent, and timing of audit procedures and the results. It is important to not document unnecessarily. In keeping with these standards, enough information should be in the audit file to allow an experienced auditor with no previous connection to the engagement to understand the audit procedures that were performed, the evidence that was obtained, and the conclusions that were drawn.

Audit evidence should be in accordance to INTOSAI's audit standards and best practices:

- Audit evidence should be sufficient, reliable and relevant
- Audit evidence gathered must be evaluated as a basis for forming conclusions and for reporting purposes. Materiality is significant to this evaluation

Evidence gathered during an audit may fall into four (4) categories:

1. **Physical** – This type of evidence is obtained through inspection or observation of activities of people, property or events
2. **Testimonial** – This type of evidence is obtained through oral or written statements
3. **Documentary** – This type of evidence consists of letters, contracts, accounting records, invoices and similar material

⁶ Please refer to ISSAI 300, section 5 for further details

4. **Analytical** – This type of evidence is developed from other evidence by conducting analysis of activities such as computations, comparisons and reasoning

Audit evidence is documented by each member of the audit team using working papers. These working papers are reviewed in detail by the Team Leads. Reviewers are responsible for ensuring that:

- The audit work has been performed in accordance with the audit plan
- The objectives of the planned procedures have been achieved
- The nature and extent of audit evidence is adequate
- Significant matters have been raised for further consideration
- The conclusions reached are consistent with the results of the work performed
- The evidence obtained is sufficient and appropriate to support the report.

4.3. Working Papers

In order for the Auditor General to perform his/her statutory duties the Auditor General has to have available a written record, being working papers of the scope, operations, the observations and the results or findings. The working papers form a basis for the Auditor General's report and provide the appropriate evidence for any examinations of the report by the Public Accounts Committee and any other relevant committee. The working papers should therefore be properly prepared and indexed so if necessary, they can stand alone as a record of work done in an audit.

The auditor is responsible for documenting as a working paper the nature, timing, and extent of the work performed in executing the plan. This should be in accordance to ISSAI 300⁷ which states that, auditors should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit.

All team members contribute to the working papers and the team lead reviews and compiles the final working paper files. Once all the working paper files are compiled the Director and Senior Director conduct a final review. The audit Senior Director and Director are responsible for ensuring that sufficient appropriate evidence is obtained to support the content of the Auditor's Report.

The nature and extent of working papers in the audit file is a matter of professional judgment and/or experience⁸; however, the audit staff should be guided by the following documentation principles, including the audit evidence discussed above:

- Provide evidence essential to support the findings/results and conclusions in the audit report

⁷ Please refer to ISSAI 300, Paragraph 5.5 for further details

⁸ Please refer to ISSAI 300, Paragraph 5.6 for further details

- Audit plans to be documented and included as part of working paper file
- Provide a record of the key planning decisions and information that clearly illustrates the nature, extent, and timing of audit procedures performed, the results thereof, and the conclusions drawn from the audit evidence obtained
- Working papers should document the sample and basis of selection
- Clearly demonstrate that the work was in fact performed
- Provide documentation of consultations and disposition of comments
- Provide documentation of meetings with the entity's management and board of directors
- Record sufficient information in order that the audit work could be performed again, but no more than necessary

4.4. Confidentiality

The Code of Professional Conduct requires that all staff be professional, adhere to high standards of behavior and honesty, impartial, and objective. All employees are also required to sign the Official Secrets Act Declaration and an oath of secrecy.

The AuGD meets the highest standards of professionalism and integrity and seeks to develop a relationship of respect and trust with its clients. An important ingredient of those standards and principles is the security and confidentiality of both client and AuGD information.

Employees of the AuGD are duty bound to respect the confidentiality of information acquired from the audit entities. Client information should be held in the strictest confidence and unauthorised disclosure of any official information or its use for personal reasons is prohibited.

During the conduct of audits, the team members are to ensure that they adhere to the security requirements of the audit client and it is also the Team Leads responsibility for:

- Acquiring an understanding of the security process for their audit entities
- Communicating the requirements to team members
- Ensuring that the safeguards for the storage of and access to information are equal to or higher than those required by the audit entity.

4.5. Access to Audit Files

Audit files are the property of the AuGD, and the information they contain is not generally available to others. Audit files may contain sensitive information about the audit entity that needs to remain strictly confidential as well as information about our own assessments and evaluations of potentially sensitive accounting and auditing matters that could be misinterpreted if read out of context.

4.6. Communication with Audit Entities

Communication is especially important at key stages of the audit including the Planning and Reporting phases and they should be documented in the audit file. Communicating with entity senior management is one of the important responsibilities of the audit Senior Director and/or Director. He/she should communicate the terms of the audit engagement, any matters of audit significance, and the results of our work to senior management and the body having oversight responsibility for the financial reporting process. This information should be provided to our clients in a timely manner and it is important to ensure that the information conveyed is clear, succinct, and meets the expectations and needs of those to whom it is addressed.

5. Engagement Management

Engagement Management is part of the Audit Planning activities and entails:

- Addressing independence requirements
- Performing staff scheduling
- Establishing and communicating the terms of engagement (including performing client acceptance and continuance activities)
- Establishing staff performance and development objectives

5.1. Independence

The independence of the AuGD or its staff should not be questioned. Although inherently the AuGD has a significant degree of independence from its audit clients, it is important to take appropriate steps to ensure that individual audit team members are (and are perceived to be) independent and objective. This is in accordance with ISSAI 200 sections 2.2-2.30, which includes:

- The SAI should not participate in the management or operations of an audited entity. Audit personnel should not become members of management committees and, if audit advice is to be given, it should be conveyed as audit advice or recommendation and acknowledged clearly as such
- Any SAI personnel having close affiliations with the management of an audited entity, such as social, kinship or other relationship conducive to a lessening of objectivity should not be assigned to audit that entity
- Personnel of the SAI should not become involved in instructing personnel of an audited entity as to their duties.

AuGD guidelines addressing independence issues should be available to all staff and regular workshops conducted to sensitise and refresh staff on topics such as:

- The various threats to independence (self-interest, self-review, advocacy, familiarity, and intimidation)
- Engagement acceptance and continuance
- Considerations about the independence of the AuGD
- Steps to ensure independence of engagement team members

5.1.1. Confirmation of Auditor Independence

Subsequent to the staff schedule of the audit team, the audit manager should obtain a confirmation of independence for each audit team member. Each auditor should complete this confirmation of independence for each assignment regardless of the line of service or the amount of time charged to the engagement. The confirmation of

independence should be completed and documented in the working paper file prior to the individual commencing work on the engagement. Threats to independence should be considered, assessed, and documented throughout an audit engagement.

5.2. Terms of Engagement

In all of our engagements, the AuGD and the audit entity should share a common understanding of the terms of the engagement⁹, related to both our statutory audit work and any other work that may be performed.

Many of our audit engagements are statutory and of a long-standing nature. Even though we may believe that our audit entities have a clear understanding of the nature of our audit work, it is still important to set out, in a clear and unambiguous manner, the significant aspects of the terms of engagement. Communicating this information to senior management and to those having oversight for the financial reporting process helps them to understand their responsibilities and confirms their understanding of what is involved in an audit.

5.2.1. Engagement Letter

Under the leadership of the Divisional Director, the audit team should prepare an engagement letter outlining the terms and conditions of the engagement and the responsibilities of the management and those of the AuGD. The timelines and budget should also be included.

The engagement letter is required to be prepared for each audit assignment and is to be sent to the head of the entity. Management, on behalf of the entity, confirms its understanding of, and agreement with, the terms of the engagement by signing the written agreement documenting the terms of the engagement, and returning a signed copy to the AuGD.

As a guide, ISSAI 1210 provides the following format for the engagement letter:

- Introduction- including the purpose of the letter
- Objective (s) of the audit
- Responsibilities of the auditors – including the auditing standards applied when conducting the audit
- Reporting- providing information on the expected form and content of the auditor's report
- Independence – confirmation of independence with respect to the audit and clarification of any perceived limitations of independence by describing the threats and safeguards to independence
- Responsibilities of management and those charged with governance

⁹ Please refer to ISSAI 1210 for further information on agreeing the terms of audit engagements

- Representation letter- as part of the audit process, we will request from management written confirmation concerning representations made to us in connection with the audit
- Other relevant information – it may be appropriate to include information such as:
 - statutory reporting deadlines
 - ownership of working papers
 - contractual arrangements with auditors doing work on behalf of the AuGD
 - fees
 - relevant contact information, staff accommodation and resources
 - any other matters to assist in clarifying the expectation gap and to enhance effective communication
- Acknowledgement of the terms of the engagement- client acknowledges receipt of the engagement letter and acceptance of the terms of the audit engagement by signing an enclosed copy of the letter and returning it to the AuGD

5.3. Staff Performance and Development Objectives

Performance and development objectives should be set for all staff prior to commencement of the Execution Phase of the audit. The appropriate sections of the PMAS Plan should be completed for each staff member. The staff goals and objectives should be prepared using the “SMART” guideline:

- **Specific**—objectives should be clear, specific and tangible with the employee knowing exactly what to do to achieve them
- **Measurable**— objectives should be measurable with quantity or quality reference points and employees knowing how far they have come and how far they have to go
- **Ambitious**— objectives should require stretching and must be something that the employee would be proud to have tried or achieved
- **Reachable**— objectives should be realistic, achievable, ambitious but reachable
- **Time-bound**—objectives must have a deadline and milestones

In order to prepare SMART objectives for staff, the audit timetable and audit plan should be used as input.

5.4. Staff Scheduling

While preparing the annual audit plan, the Audit Manager/Team Lead shall determine the specific staff required on an audit engagement based on the following factors:

- Competence in assigned audit area(s)
- Assignment load
- Development needs identified in PMAS plan

6. Audit Planning

The table below highlights a step-by-step approach to the Audit Planning phase:

Audit Stage	Audit Steps	Standard	Deliverable
Audit Planning	Audit Plan	<ul style="list-style-type: none"> ISSAI 300 Section 1 ISSAI 1300 ISSAI 4100 Section 6 	<ul style="list-style-type: none"> Annual Audit Plan Master Annual Audit Plan
	1. Each Audit Unit prepares an annual audit plan		
	2. The annual audit plans are reviewed by the Directors, Senior Directors, Divisional Directors and the Auditor General		
	3. The Auditor General, Divisional and Senior Directors compiles the audit plans into one Master Annual plan		
	Research of the Audit Entity/Area	<ul style="list-style-type: none"> ISSAI 1315 	Audit entity research file
	4. Audit team conducts and documents research on the entity/audit area to understand the business of the audit entity/area		
Risk Assessment	<ul style="list-style-type: none"> ISSAI 1300 & 1320/ISA 320 ISSAI 4100 Sections 6.7-6.8 CAROSAI guide for a Risk Based Approach to Financial Auditing 	Risk Assessment (Please refer to Section 5.3 for the different types of risk assessment tools for the audit units)	
5. Senior Director and audit team conducts the Risk Assessment			
6. Senior Director and audit team determines materiality level for the audit			

Prepare Programme/Plan	Detailed	Audit	• ISSAI 1400 Section 6.5	Audit Programme/Plan
		7. Audit team develops the audit approach and audit procedures for the identified medium- high risk audit entities/areas	• ISSAI 1300/ISA 300	
		8. Audit team prepares audit programme/plan and it is reviewed and approved by the Senior Directors		
		9. The Auditor General, Divisional and Senior Directors revise the Master Annual plan if necessary		

6.1 General

The Planning Phase begins with Engagement Management and then Knowledge of the Entity and Risk Analysis activities to identify the risk factors that are deemed to have an impact on our audit¹⁰. Materiality and the nature and significance of audit risk are also considered¹¹. These important considerations guide the auditor in developing audit procedures that will provide sufficient audit evidence¹².

Once a sufficient understanding of the entity has been developed and business, fraud, and other risks of material misstatement and non-compliance relevant to the audit considered, their significance shall be assessed and an audit approach and appropriate audit procedures developed to respond to these risks¹³.

The following sections discuss the key elements of our audit approach in the Planning Phase:

- Prepare Annual Audit Plans
- Understand the entity
- Risk assessment
- Materiality and audit risk
- Prepare Detailed Annual Audit Programmes/Plan

¹⁰ Please refer to ISSAI 1300 and 4100 for further details

¹¹ Please refer to ISA 320/ISSAI 1320 for further details

¹² Please refer to ISA 300/ISSAI 1300 for further details

¹³ Please refer to ISSAI 300, ISSAI 1300 and the CAROSAI Guide for a Risk Based Approach to Financial Auditing (RBAFA) for further details

6.2 Prepare Annual Audit Plans

In December of each year, the planning process for the next calendar year begins. The planning includes identifying and deciding on the list of audit entities and/or audit areas that will be audited for the year, the activities and areas of focus for each entity as well as the staff to be allocated to each audit.

The annual plans are prepared by the Team Leads and the review process includes Directors, Senior Directors, Divisional Directors and the Auditor General. In the case of IT and Financial Statement Audit, the review process does not include a Divisional Director and plans are sent directly from the Functional Coordinators to the Auditor General.

Once the annual plans for each audit unit are prepared they are to be compiled into one master annual plan by the Auditor General, Divisional and Senior Directors. The master annual plan will allow the AuGD to plan and schedule the audits so that resources can be allocated in the most efficient and effective manner.

6.3 Understand the Entity

Our audit approach requires the audit team led by the Senior Director to maintain a high degree of understanding about the entity, its business and the important aspects of the environment in which the entity operates. The combined cumulative audit knowledge and experience is the basis for building and documenting an appropriate level of understanding of the entity, its business, and the related risks. Knowledge of the entity and its business shall be updated on an annual basis during the planning phase of the annual audit. The annual update involves research primarily including but not limited to the review of the following:

- Prior year working paper files and reports
- Entity's website, corporate/business/strategic plans
- Acts/legislation/regulation
- Media reports
- Information obtained from public agencies

Interviews with external stakeholders and others, such as industry specialists may be required to gather the required information.

As part of the audit planning stage, it is also important that a risk profile (High, Medium, and Low) for each entity/MDA be prepared for the purpose of allocating assignments to staff. This risk profile will measure variables to be agreed upon. Variables to consider may include but are not limited to:

- National impact
- Nature of activities (extent of cash collected, extent of cash disbursement, types of contracts managed/issued)

- Budget (percentage of national budget)

6.4 Risk Assessment

As part of the planning process for each audit assignment, each audit team conducts a risk assessment of the entity/identified audit area. The audit Senior Director must meet with each audit team to perform the risk assessment. Each audit team must use the guidelines provided to the Audit Unit:

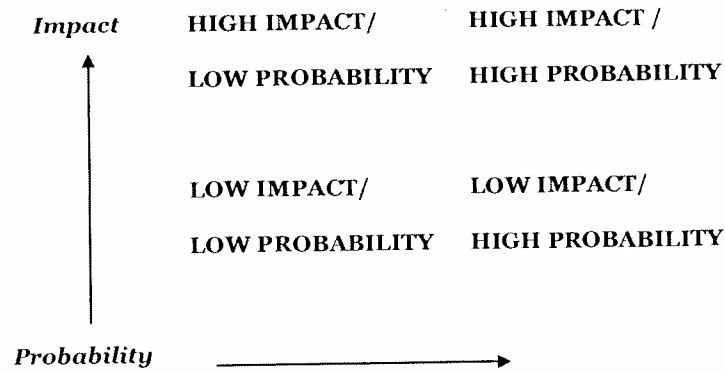
- Financial Statement Audit - risk assessment that includes the use of thirteen (13) templates. These templates are based on the International Standards of Supreme Audit Institutions (ISSAI) framework.
- IT Audit - risk assessment using a Risk/Control Matrix. The IT Audit team prepares a Risk Profile that facilitates guiding the development of the audit procedures.
- Compliance Audit risk assessment involves the use of the following tools:
 - Risk Matrix
 - Internal control questionnaires (ICQ)
 - Risk Matrix Summary
 - Check List
- Performance Audit conducts an issue analysis session to identify the key questions that the performance audit will answer. This session also includes the identification and review of the risks¹⁴.

In conducting the risk assessment, the audit team is to evaluate the significance of the risks for the audit by considering the probability that the risk will occur and the impact that the risk has if it occurs. The significance of the risk will be categorized as High, Medium or Low (*Please see figure 1 the Basic Risk Assessment Model*).

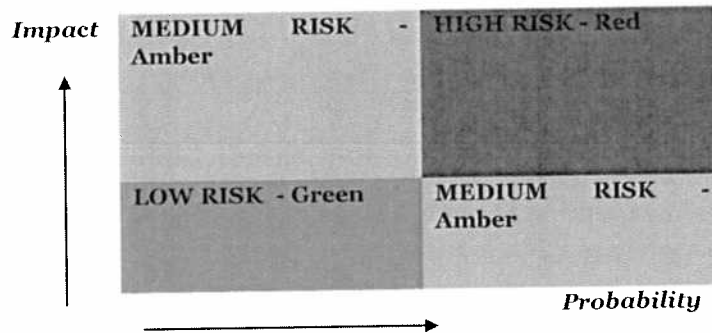
The team shall obtain and document an understanding of the entity's relevant internal controls to mitigate Medium-High risks. If we determine that there is sufficient probability that a material misstatement or non-compliance will occur, we conclude that the risk is "significant" and categorize the entity/audit area as a high risk to be audited.

¹⁴ See the AuGD Performance Audit Manual for more details on the Issue Analysis

Figure 1: Basic Risk Assessment Model



The risk assessment model can be refined in two ways:



- Summarised as High, Medium and Low risk; or
- Presented as a set of traffic lights: red, amber and green.

6.5 Materiality and Audit Risk

Materiality is always relative and determination of materiality requires judgment. Therefore, it is not possible to lay down specific rules or absolute numerical measurements that will apply in every case. Consequently, the materiality decision ultimately rests with the auditor's professional judgment.

The definition of materiality provides guidance to the Auditor as the audit content having any matter of sufficient importance to influence decisions made by reasonable users of the financial statements. In determining materiality for planning purposes, the auditor considers both quantitative and qualitative factors.

As a guideline, the quantitative level of materiality that auditors use is normally a 95% acceptance level.

During the planning of the audit, the audit Senior Director and Director should be involved in establishing the appropriate levels of materiality for the audit. In planning the audit, the audit team will make judgments about the size of misstatements that will be considered material¹⁵. These judgments provide a basis for:

1. Determining the nature, timing and extent of risk assessment procedures;
2. Identifying and assessing the risks of material misstatement; and
3. Determining the nature, timing and extent of further audit procedures

During the conduct of the audit, the audit team may revise the materiality level or levels in the event of an auditor becoming aware of new information that would have caused the audit team to have initially determined a different materiality¹⁶. The revisions to the materiality level(s) must be approved by the Senior Director and/or Director. The materiality level(s) and any revisions to the materiality level(s) should be documented in the working papers¹⁷.

6.5.1 Audit Risk

Our audit approach requires audit teams to consider audit risk and materiality in the context of obtaining reasonable assurance. We plan and perform audit procedures to reduce audit risk to an acceptably low level. There are three (3) components of audit risks that should be assessed and they are as follows:

- **Inherent risk** – This risk is a function of the entity's business and its environment and the nature of the account balance and class of transactions
- **Control risk** – The risk that a misstatement (of materiality) could occur in an account balance or class of transactions which may not be prevented or go undetected by the internal controls of the entity
- **Detection risk** – The risk that an auditor's procedures will not detect a misstatement (of materiality) in an account balance or class of transactions

To reduce audit risk to an acceptably low level, auditors must identify the risks of material misstatement and perform procedures to respond to the assessed risks at the financial statement, class of transaction and account balance levels.

¹⁵ Please refer to ISA 320 paragraph 6 for further details

¹⁶ Please refer to ISA 320 paragraph 12, 13 and A13 for further details

¹⁷ Please refer to ISA 320 paragraph 14 for further details

6.6 Prepare Detailed Audit Programme/Plan

The audit approach used by the AuGD is risk based and as such the outcome of the assessment of risk/ issue step facilitates and guides the design and development of detailed audit plans/programmes.

The Audit Planning activities result in the preparation of detailed audit plans/programs. It is here that we are to link the results of our risk assessment procedures and strategic planning decisions with the audit procedures we plan to perform. The objective is to respond to the identified medium - high priority risks of material misstatement by performing sufficient and appropriate procedures to reduce the audit risk to an acceptably low level. The risk profiles developed by each client will be utilized in allocating assignments to Senior Directors and Team Leads to ensure equitable allocation. Each audit unit develops their audit programme/plan using the following approach:

- The Financial Statement Audit utilizes standard audit procedures for audit areas selected for each audit. These procedures are based on best practice and standards of the ISSAI.
- The audit procedures used by IT Audit are called test for controls and are developed based on the identified risks. The risk profile developed by the IT audit section is used to guide the audit procedures and will include:
 - Identifying the control activity to be tested
 - The risks
 - Audit objectives
 - The test procedures
 - Test result
- The Performance Audit section designs their audit plan by selecting audit methods that will answer the key audit questions by obtaining and analysing evidence. A methodology table is prepared that details the methods to collect the relevant data.
- Compliance Audit utilizes standard audit procedures, and along with the ICQs develops work programmes for selected audit areas. These procedures are based on best practices and ISSAI standards.

Subsequent to the completion of the detailed audit programmes/plans the finalized master audit plan may be revised to reflect any adjustments to the allocation of resources.

7. Audit Execution

The table below highlights a step-by-step approach to the Audit Execution phase:

Audit Phase	Steps	Standard	Deliverables
Audit Execution	Entrance Meeting	ISSAI 300 Section 1	Entity information requested prior to the meeting are collected
	1. The Senior Director and audit team conducts entrance meeting with the head of the audited entity to: <ul style="list-style-type: none"> - Provide clarifications - Set out how the audit will proceed - Garner preliminary information 	ISSAI 1210	
	Fieldwork	• ISSAI 1520	Results of tests/evidence obtained
	2. Audit team conducts fieldwork. This entails performing audit tests/procedures (such as analytical procedures and testing internal controls) in an effort to obtain audit evidence 3. Director and/or Senior Director supervises the work of the audit staff at each level and phase of the audit	• ISSAI 300 Section 2 & 3	
Preparation of Working Paper Files	• ISSAI 300 Section 5	• Audit documentation compiled in one file	
4. Each audit team member prepares the working paper files with the following information: <ul style="list-style-type: none"> - Tests conducted - Evidence obtained - Conclusions drawn 	• ISSAI 1230 • ISSAI 1500	• Source of information for future audits of the entity	

Review of Working Paper Files	ISSAI	300	Working paper
5. Team leads review working paper files as a form of quality control and to:	Section 2		files meeting quality standards
– Ensure there is proper documentation of evidence			
– the conclusions drawn are consistent with the results of the work performed			

7.1. Objectives

The objective of the Annual Audit Execution Phase is to carry out the activities that have been outlined in the Annual Audit Plan. It is important to ensure that:

- The audits are properly executed and in a timely manner
- Staff is properly supervised and provided with on-the-job coaching
- Assurance derived from the entity's control activities is obtained through tests of controls
- Sufficient appropriate audit assurance is obtained to afford a reasonable basis to support the conclusions of the audit team.

7.1.1. Understanding of Objectives

For proper execution of the work, each team member must have a general understanding of the overall audit approach and an appreciation of how individual audit sections contribute to the overall assurance required for the audit as a whole.

At an individual level, it is equally important that the responsible auditor fully understands the objectives of the work to be performed and the time-frame in which the work is to be completed. In that regard, coaching by the audit manager/team lead plays an important role in conveying the necessary understanding. However, the auditor is responsible for ensuring that he/she is completely familiar with the objectives of the work assigned and with the steps required to achieve those objectives.

7.2. Supervision and Coaching

According to ISSAI 300 section 2 paragraphs 2.2 and 2.3, the work of the audit staff at each level and audit phase should be properly supervised during the audit, and documented work should be reviewed by a senior member of the audit staff.

Supervision and coaching occur at various levels of responsibility within the audit team and include the following:

- Ensuring that team members understand their assignments

- Ensuring that the work is being carried out in accordance with the planned approach
- Addressing and communicating significant issues that have arisen during the audit, assessing their implications, and assisting in their resolution
- Monitoring the progress of team members on their assigned sections.

At AuGD, both the auditor and the audit manager/team lead share the responsibility for effective supervision and coaching. The audit manager/team lead provides timely support and guidance that facilitates the auditor "doing it right the first time." The auditor keeps the audit manager/team lead informed of progress on a timely basis and seeks guidance when appropriate. The two engage in regular briefings to successfully complete the work required in the audit file.

7.3. Execution Phase Components

The main steps in the execution phase comprise:

- Performing audit procedures
- Documenting evidence
- Reviewing working paper files

7.3.1. Perform Audit Procedures

The purpose of the execution stage is to gather sufficient appropriate audit evidence to allow the auditor to support all of the statements made in the audit report.

7.3.1.1. Entrance Meeting

The execution phase begins with the Audit team conducting an Entrance meeting with the management of the entity. At this meeting, the team may or may not request relevant information from the entity. In cases, where information is requested prior to the entrance meeting, information is obtained at the meeting. The Senior Director should lead the team and be present at the entrance meeting. He/she should meet with the Permanent Secretary or Head of the Department each year.

7.3.1.2. Fieldwork

At this stage, fieldwork begins and audit procedures are performed as planned and audit evidence gathered. The audit team designs audit tests and procedures to obtain evidence in the most cost-effective manner. The evidence-gathering process involves the following steps:

- Designing the audit procedures or tests
- Performing the audit procedures or tests and gathering evidence
- Analyzing evidence and drawing conclusions which may also involve evaluating performance against the audit criteria

- Making decisions about whether additional information is required and can be obtained or whether sufficient appropriate evidence exists.

It is not unusual for audits to be redesigned during the execution stage as teams encounter unforeseen difficulties in gathering sufficient evidence of appropriate quality. Auditors have to be alert to any signs that the evidence-gathering process may not be achieving the level of assurance required for the audit assignment and take appropriate corrective action.

7.3.1.2.1. Testing Procedures

7.3.1.2.1.1. Testing Management and Monitoring Controls

In the Execution Phase, the audit team performs testing procedures on the management and monitoring controls that it intends to rely upon. Testing would generally involve:

- Understanding and documenting the policies and procedures related to the analysis
- Confirming the process, the data used, and the length of time the controls have been in place
- Interviewing the individuals who perform the analysis, those who review and approve variances or exceptions, and those responsible for the reports used; having them walk the auditor through the process to confirm his/her understanding and to ensure consistency in the process
- The entity's personnel should be questioned at each point in the process to ensure that they understand the reasons for the controls and that they are looking for the appropriate type of information to identify deviations or unusual results
- Inquiring and reviewing follow-up and corrective action with management. It is not sufficient for management to have only looked at the control and its results. Management must also analyze results, take corrective action when unexpected variances arise, and follow-up to ensure that steps have been taken to remediate the situation.

7.3.1.2.1.2. Testing General Computer Controls

Where audit assurance is required from automated controls in a business cycle, it is important that the team's IT Auditors test the adequacy of general computer controls for the technical infrastructure supporting IT systems.

The key areas for the IT Auditors' review include:

- Controls over program maintenance activities and upgrades to the client's operating systems
- Database administration procedures
- Information security for related systems, including policies and procedures and monitoring of security

- Computer operational controls (assess the controls in place for day-to-day operations)
- Change management controls (including systems development and program maintenance processes)
- Reports relating to general computer controls completed by the entity's internal audit department and the conclusions reached therein.

7.3.1.2.1.3. Analytical Procedures

Analytical procedures¹⁸ are substantive procedures that compare the amount recorded by the entity with an amount that the auditor expects. The auditor's expectation of the amount is derived from his/her knowledge of relationships between the amount being audited and some other independent data.

The data used in arriving at the auditor's expectation of the amount may be financial or non-financial and may originate from within or outside the entity being audited. Analytical procedures vary from simple comparisons—such as comparing the current year amounts (or ratios) with prior year amounts (or ratios)—to complex analysis using advanced statistical techniques and computer audit software—such as multiple regression analysis software.

7.3.2. Document Evidence

Competent, relevant and reasonable evidence should be obtained to support the auditor's judgement and conclusions regarding the organization, programme, activity or function under audit. Consideration should be given to the quality of evidence, that is, the evidence should be competent, relevant and reasonable.

7.3.2.1. Importance of Adequate Documentation

In accordance with ISSAI 300, section 5, auditors should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Adequate documentation is important for several reasons. It will:

- Confirm and support the auditor's opinions and reports
- Increase the efficiency and effectiveness of the audit
- Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party
- Serve as evidence of the auditor's compliance with auditing standards

¹⁸ Please refer to ISSAI 1520 for further information on analytical procedures

- Facilitate planning and supervision
 - Help the auditor's professional development
 - Help to ensure that delegated work has been satisfactorily performed
- Provide evidence of work done for future reference

7.3.2.2. Methods of Obtaining Audit Evidence

7.3.2.2.1. Inspection and computation

Inspection and computation are common methods of obtaining audit evidence. Inspection of documents and records provides varying degrees of reliability depending on the nature and source of the documents. Computation or recalculation provides a high level of assurance with respect to arithmetical accuracy. Inspection of physical assets provides highly reliable evidence of existence and some indication of value (if it does not appear damaged or obsolete) but not necessarily of ownership or value.

7.3.2.2.2. Observation

Observation of the application of client's policy or procedure provides assurance of that procedure at a given point in time, but not necessarily of its performance at other times during the year.

7.3.2.2.3. Inquiry and Confirmation

Inquiry and confirmation range from written requests addressed to third parties to oral questions of individuals within the entity. Although inquiry has always been an integral part of audit, it is becoming an increasingly important method of collecting audit evidence due to the increasing use of "soft information" in financial statements. Specifically, soft information is based on estimates, expectations, and assumptions. In addition, more reliance is placed on management controls where little documentation may exist to support the existence of the review being performed and follow-up action taken where results are out of line with management expectations. In such cases, inquiry may be the primary (or only) source of evidence that the controls are in place and working effectively.

Inquiry is used throughout the audit to:

- obtain knowledge of the entity's business
- collect specific evidence
- corroborate evidence collected by other means

A solid understanding of the control environment is important in order to assess the extent to which inquiry will be effective in obtaining reliable evidence. For example, in

an environment in which management's integrity and trustworthiness are high, the auditor may be able to place relatively more reliance on inquiry.

7.3.2.3. Working Paper File

To complete the Execution Phase, work performed and audit evidence is documented by each member of the audit team using working papers¹⁹.

7.3.2.3.1. Information Documented

In all cases, it is important to appropriately document:

- The nature of the tests performed (what kind of test was performed, what kind of evidence was sought)
- The extent of the test procedures (how deeply the auditor probed, how many tests were performed, what portion of the fiscal period was covered by the tests)
- The timing of the test procedures (when the testing was performed)
- The results of the tests and other procedures
- The conclusions reached by the auditor

Ideally, the auditor includes as much of this information as possible in the detailed audit procedure steps. In that way, when the working paper file is rolled forward for the next audit, should the same audit procedures be appropriate, the auditor will need only to document the results of the tests performed and the conclusions reached. Such practices promote the execution of an efficient audit.

The auditor will also document the level of assurance obtained from completing audit procedures (controls testing, analytics, and other substantive tests of details) for specific financial statement components and assertions.

7.3.3. Review Working Papers

The working papers are reviewed in detail by the Team Lead²⁰. Reviewers are responsible for ensuring that:

- The audit work has been performed in accordance with the audit plan
- The objectives of the planned procedures have been achieved
- The nature and extent of audit evidence is adequate
- Significant matters have been raised for further consideration
- The conclusions reached are consistent with the results of the work performed
- The evidence obtained is sufficient and appropriate to support the report.

¹⁹ Please refer to ISSAI 300 section 5, ISSAI 1230 and 1500 for further details

²⁰ Please refer to ISSAI 300 for further details

In the case of Performance Audit, the fieldwork can last up to six (6) months and as such they conduct a mid-point review, where they document their findings to date. This mid-point reviews facilitates revision of resource allocation as well as help determine whether more audit evidence is required to support the findings.

7.3.3.1. Review Process

In accordance with ISSAI 300 paragraph 2.4, all audit work should be reviewed by a senior member of the audit team before the audit reports are finalised. It should be carried out as each part of the audit progresses. A review brings more than one level of experience and judgement to the audit task and should ensure that:

- a) all evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit report
- b) all errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a Director/Senior Director
- c) changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

The following table shows the information being reviewed at each senior staff level

Position	Information being reviewed
Team Lead-Director/Audit Manager	<ul style="list-style-type: none"> • On completion of the audit or each phase of the audit, the working papers will be collected, sorted and indexed by the team lead who will clear all outstanding points with the officers who prepared them and where necessary with the accountants or accounting officers of the ministries or departments • In the review of the papers, it will be necessary for the team lead to ensure that all facts and figures of the working papers are accurate • The team lead shall review the working papers of the audit staff to ensure clarity, accuracy and adherence to the guidelines set out for maintaining working papers.
Senior Director	<ul style="list-style-type: none"> • The senior director will review the complete working file • He/she will review the working papers and determine if any further investigation and

Position	Information being reviewed
	information are required <ul style="list-style-type: none"> Where the Director considers that further information is required or additional tests are to be carried out this should be indicated in writing on a working paper sheet headed "matters to be cleared". As soon as the additional information is provided or tests done this should be indicated by the initials of the persons responsible being put against the matter to be cleared and the necessary cross reference made to the working paper on which the information is provided.
Divisional Director	<ul style="list-style-type: none"> In the case of higher risk sections or matters, the Divisional Director would also review the file subsequent to review by the Senior Director.

Satisfactory completion of the procedures described in the paragraphs above would normally provide assurance that sufficient, appropriate audit evidence had been obtained to afford a reasonable basis to support the conclusions reached in individual audit execution sections.

7.3.4. Timelines

Timelines for the execution phase vary for each audit section:

Audit Section	Timeline
Financial Statements	Approximately one (1) month
Information Technology	Approximately four to six (4-6) weeks
Performance	Six (6) months
Compliance	Five to six (5-6) weeks. However the Statutory Body and internationally- funded project assignments take on average two to three (2-3) weeks.

8. Reporting and Completion

The table below highlights a step-by-step approach to the Audit Reporting phase:

Audit Stage	Audit Steps	Standard	Deliverable
Audit Reporting	Evaluates Audit Results 1. Team Lead and Senior Director(s) evaluates the audit results and formulates opinion a. Revisits the Risk Assessment and determines if the appropriate audit evidence is obtained	ISSAI 400	Documented audit results and opinions in Working Papers File
	Summary of Major Findings 2. Team Lead prepares a summary of the major findings which the Director and/or Senior Director reviews and approves, and submits to the audit entity 3. The audit entity reviews the Summary of Major Findings	ISSAI 400 paragraph 8	Summary of Major Findings
	Exit Interview 4. The Senior Director and Audit Team attends an exit interview with the audit entity to discuss the major findings	ISSAI 400	Comments on major findings
	Working Papers and Audit Report 5. Team Lead compiles working papers and conducts review,	ISSAI 400	Draft and final Audit report

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- and prepares the draft Report incorporating comments from the audit entity
6. The Team Lead prepares the report which identifies the audit entity issues/problems and clearly defines the impact and the risk of not addressing the issues. The report must include timeframes in which the audit entity is to take corrective action to the identified problems. This will provide greater guidance to the audit entity and drive accountability
 7. Team Lead submits for review:
 - the working paper file to the Director and Senior Director
 - the audit/inspection report to the Senior Director, Divisional Director and the Auditor General (the IT and Financial Statements Audit units submit the audit report to the Auditor General subsequent to the Senior Director review)
 8. Team Lead makes any necessary amendments to the report and/or gathers any additional evidence
 9. Senior/Divisional Directors and Auditor General signs the reports as sign of approval
 10. Team Lead submits to the audit entity management

Post-Reporting	Issues Report	Draft and final AuGD Annual Report
	11. For Financial Statement, IT and Performance audits, the reports/audit certificates are submitted to the House of Representatives and once tabled, the reports are made public on the AuGD's website 12. For Compliance audits the inspection reports are sent to the Chief Operating Officers of the entities 13. In December, a team including the Auditor General, Assistant to the Auditor General, a Divisional Director, Director of Economic Assessment and IT Functional Coordinator prepares a draft AuGD Annual Report and submits to the Auditor General for review 14. The team amends the draft AuGD annual report and the Auditor General reviews and signs as evidence of approval and submits the final annual report to the House of Representatives	
	Post Reporting Follow-up	ISSAI 400 Document paragraph 26 findings of post-reporting follow-up
	15. Team Leads, Directors and Senior Directors must be proactive in conducting follow-up with the audit entity to ensure issues are corrected and/or the implementation of recommendations, within the appropriate timeframes 16. Audit Team documents findings of the post-reporting follow-up	

8.1. Evaluating Audit Results and Form Opinion

In developing the findings the auditor needs to:

- Determine the frequency of the identified weakness. This is important for the auditor to understand if this is an isolated incident or represents a systemic/general weakness.
- Develop one or more examples or cases to clearly illustrate the nature of the issue/weakness. These cases will serve as examples to be included in the report.
- Determine if management is aware of the issue/weakness and if corrective action is underway. This is to ensure that the report is fair by focusing less on issues that are being corrected and more on the unknown/unresolved issues.

The audit results will be determined by the auditor making observations from the gathered findings. The auditor should use their judgment to determine the significance of the findings and identify patterns in the findings. This is important as any recognized patterns may signify a more serious issue/weakness²¹.

The auditor should also attempt to determine the root cause of the issue/weakness which will require the auditor to conduct a cause and effect analysis²². This involves the auditor:

- Identifying the fundamental cause of the issue/weakness
- Assessing and quantifying the effect of the issue/weakness – Quantifying the effects of the problem is important in determining the significance of the issue.

The cause and effect analysis ensures that we direct our efforts towards the important areas, and produce meaningful and significant audit observations. The analysis allows us to understand the underlying causes and develop recommendations accordingly.

The evaluation of the audit results and forming of opinions should also be in accordance with ISSAI 400 which state:

- In reporting on irregularities or instances of non compliance with laws or regulations, the auditors should be careful to place their findings in the proper perspective. The extent of non-compliance can be related to the number of cases examined or quantified monetarily.

²¹ Please refer to AuGD Audit Manual Section 2-23 for further details

²² Please refer to AuGD Audit Manual Section 2-24 for further details

- The auditor is not normally expected to provide an overall opinion on the achievement of economy, efficiency and effectiveness by an audited entity in the same way as the opinion on financial statements. Where the nature of the audit allows this to be done in relation to specific areas of an entity's activities, the auditor should provide a report which describes the circumstances and arrives at a specific conclusion rather than a standardised statement. Where the audit is confined to consideration of whether sufficient controls exist to secure economy, efficiency or effectiveness, the auditor may provide a more general opinion.
- Auditors should recognise that their judgements are being applied to actions resulting from past management decisions. Care should therefore be exercised in making such judgements, and the report should indicate the nature and extent of information reasonably available (or which ought to have been available) to the audited entity at the time the decisions were taken.

8.2. Document Findings

The Team Leads and Senior Directors evaluate audit results, revisit risk assessments and determine if sufficient and appropriate audit evidence has been obtained. The Team Leads are responsible for preparing a summary of the major findings. These are reviewed by the Senior Director and once approved; the team conducts an Exit Interview with the entity's management to discuss the findings.

Subsequent to the exit interview, a draft report is prepared by the Team Lead. The draft report should be in accordance to ISSAI 400 which states that the scope, objectives and findings of the audit should be clearly stated and the report should demonstrate to the reader that the auditor is being fair. Fairness also implies the presentation of weaknesses or critical findings in such a way as to encourage correction, and to improve systems and guidance within the audited entity. Accordingly the facts are generally agreed with the audited entity in order to ensure that they are complete, accurate and fairly presented in the audit report. There may also be a need to include the audited entity's responses to the matters raised, either verbatim or in summary, especially where the AuGD presents its own views or recommendations.

In accordance with the ISSAI 400²³ the draft report should be in the following form and have the following content:

1. Title. The report should be preceded by a suitable title or heading, helping the reader to distinguish it from statements and information issued by others.
2. Signature and date. The report should be properly signed by the Auditor General. The inclusion of a date informs the reader that consideration has been given to the effect of events or transactions about which the auditor became aware up to

²³ Please refer to ISSAI 400 paragraph 8 for further details

that date (which, in the case of regularity (financial) audits, may be beyond the period of the financial statements).

3. Context. The background information and description of the audit area. In formulating the audit report, the auditor should have regard to the materiality of the findings as it relates to the financial statements or the nature of the audited entity/area.
4. Objectives and scope. The report should include reference to the objectives and scope of the audit. This information establishes the purpose and boundaries of the audit.
5. Audit criteria. This is based on what is expected to be found. In some cases this may not be required.
6. Findings and observations. The findings should be in context and indicate the impact of what has been observed. Consideration should be given to excluding major findings where their inclusion might distract from the main messages to be conveyed to management.
7. Conclusions. The report should provide a general assessment of the strengths and weaknesses in the area examined whilst avoiding exaggerated or unsubstantiated conclusions. These should be in accordance to ISSAI 400 which states that the auditor's conclusions and recommendations are an important aspect of the audit and, where appropriate, are written as a guide for action.
8. Identified Problem(s)/Recommendations. The audit report should include any identified problems and recommendations to improve the management of the audit area. This should be in accordance to ISSAI 400 which states that generally these recommendations suggest the improvements that are needed rather than how to achieve them, though circumstances sometimes arise which warrant a specific recommendation, for example to correct a defect in the law in order to bring about an administrative improvement.
9. Timelines. Subsequent to the meeting with the entity management, the audit report should also include agreed upon timelines in which to correct the identified problems and/or implement the recommendations.
10. Addressee. The report should identify those to whom it is addressed, as required by the circumstances of the audit engagement.

11. Identification of subject matter. The report should identify the audit area to which it relates. This includes information such as the name of the audited entity, the date and period covered and the subject matter that has been audited.
12. Legal basis. Audit reports should identify the legislation or other authority providing for the audit.
13. Compliance with standards. Audit reports should indicate the auditing standards or practices followed in conducting the audit, thus providing the reader with an assurance that the audit has been carried out in accordance with generally accepted procedures.
14. Timeliness. The audit report should be available promptly to be of greatest use to readers and users, particularly those who have to take necessary action.

The working paper files are compiled and along with the draft report submitted for review and approval. The review process is as follows:

- The review of the working paper files includes the Director and Senior Director.
- The review of the reports includes the Senior Director, Divisional Director and the Auditor General. In the case of the Financial Statement and IT Audit units, the reports are not sent to Divisional Directors, but to the Auditor General after the Senior Director review.

In the case of the Performance Audit unit, a “dinner session” is conducted with the entire team, where all issues identified during the audit are discussed. Subsequent to this “dinner session” a draft report is prepared and it is this report that is used to conduct the Exit Interview with the entity’s management. After incorporating feedback from the entity into the report, it is sent through the review process.

8.3. Issue Report

In October/November an audit team comprising of the Auditor General, Assistant to the Auditor General, a Divisional Director, Director of Economic Assessment and IT Functional Coordinator prepares a draft AuGD Annual Report which highlights the operational performance of the AuGD and provides a summary of the major findings for audits conducted between January to September (of that year).

The Auditor General reviews the draft report and directs the team to make any necessary amendments. The Auditor General reviews the finalized annual report and signs as approved. In December, the AuGD issues the final annual report to the House of Representatives. The annual report submissions for each of the audit units are as follows:

Date Prepared: 10 April 2013
Last Revised: 10 April 2013

- For IT and Performance audits the reports are submitted to the House of Representatives and once tabled, the reports are made public on the AuGD's website.
- For Financial Statement audits, the Appropriation Accounts are submitted to the House of Representatives and once tabled, the reports are made public on the AuGD's website.
- For Compliance audits the inspection reports are sent to the Chief Operating Officers (COO) of the entities.

8.4. Post-Reporting Follow-up

It is important for the AuGD to conduct timely follow up with the entities in regards to recommendations identified in the Audit Report. The AuGD determines with the entity management an appropriate time period to amend the identified problems. The Team Lead should ensure that the timelines are adhered to by performing necessary follow-up at the appropriate time. In accordance with ISSAI 400²⁴, the Team Lead must ensure that auditors remain objective and independent and focus on ensuring that the problems identified from the audit report are corrected by management.

²⁴ ISSAI 400 paragraph 26 for further details

