Presentation on current issues arising from audits given to Chartered Accountants Ireland and Chartered Institute of Public Finance and Accountancy (RoI)
Presentation Overview

Revised code of practice
SIC
Risk management
Recent audit findings
Looking forward
### Role of the External Auditor

| Audit Opinion | • Fair presentation or compliance opinion  
|               | • Not required to form an opinion on risk and control procedures |
| Review other information | • Statement on Internal Control  
|                       | • Governance Statement (disclosures on remuneration, etc)  
|                       | ➢ consistency review |
| Other areas | • Accounting policies used and reasonableness of estimates and disclosures  
|            | • Going concern  
|          | • Overall presentation of accounts  
|        | • Report by exception where all information not received, etc |
C&AG audit

Role extends to reporting on

- Regularity of transactions
- Propriety in the conduct of public business
Revised Code requirements

- Strengthening board leadership and strategic aims
- Strategy alignment with parent
- Ethical standards – organisational tone
- Enhanced disclosures of other expenditures
- Effective board oversight
- Alignment of disclosures with ethics legislation
- Risk management
- Statement on Internal Control
- Promoting a culture of openness and debate with board
- Performance delivery agreements with parent
- Audit and risk committee
- Effectiveness of audit committees
- Board appointments and term
- Periodic critical review
- Disclosure of key personnel compensation
- Key role of Secretary to board
- Enhanced oversight arrangements by parent
Enhanced disclosures

Governance arrangements
- Governance
- Board responsibilities
- Structure and operation
- Board fees and expenses

Other expenditure
- Legal costs and settlements
- Consultancy costs
- Travel and subsistence
- Hospitality

Remuneration
- Total pay
- Salary bands
- Key management
- CEO
- Termination benefits
Statement on internal control

- Steps taken to ensure appropriate control environment
- Risk management
- Key control procedures
- Major information systems

- Audit and risk committee
- Management reviews
- Internal audit
- Other reviews

- Board has carried out an assessment of the effectiveness of system of internal control
- Disclosure of weaknesses in controls/confirmation no weaknesses which require disclosure
- Confirmation of compliance with procurement rules

Description of procedures

Procedures for monitoring effectiveness

Annual Report Confirmations/Disclosures
Consideration - internal control weaknesses disclosed in SIC

- Material losses etc impacting on accounts
- Control element not operating / other significant weaknesses in controls
- Non-compliance with procurement rules
- Explain concisely what happened and the impact
- Steps being taken to address the issue
OCAG observations - SIC

- Not tailored – often boiler plate process descriptions; silent on key risks
- Evidence underpinning statements not robust, in particular evidence that controls operated
- Underdeveloped risk management systems
- Internal audit coverage not always clear
- Procurement breaches – incomplete data; inadequate explanations
A ‘good’ SIC

- **Concise and tailored** to the organisation’s circumstances
- Includes **open and clear** disclosures
- Subjected to **challenge** by the ARC and Board
- Underpinned by robust **evidence and assurance process** (how does the ARC and Board satisfy itself with assertions being made?)
Improving risk management

- Leadership (policy and communication)
- Staff training
- Evidence that organisation has responded to changes in risk profile

Capacity to handle risk

- Risk management framework (clear responsibilities and reporting)
- Risk identification and evaluation
- Risk registers – ‘living’ document?
- Risk appetite

Risk and control framework

- Scope / extent of work to support assurances
- Work balances between controls, compliance, investigations and performance reviews
- Overall results of assurance processes – do they address risks?
- Checklist approach?

Review of effectiveness
Risk management – challenge questions

- How robust is our risk assessment (e.g. avoid group think)?
- How vulnerable is our ICT / BCP?
- Does internal audit work and other assurances address the significant risks?
- What is the quality/effectiveness of our internal audit?
- What does external reader understand about our risk management from the SIC?
Issues arising from audits

- non-compliance (incl. tax)
- value for money
- financial control
- accounting error
- procurement
- corporate governance risks
- Public Financial Procedures breaches
- propriety issue
- audit information
- safeguarding assets
Looking forward

Opportunities for improvements

- Financial and performance information
- Performance indicators
- Risk management
- Opportunities for communicating issues through the SIC