

Trust and Assurance

Presentation by the Office of the Comptroller and Auditor General to the Institute of Public Administration (IPA) Governance Forum on the importance of trust and assurance in the audit process.

The Governance Forum is managed by the IPA to provide a network, events and advice on governance issues from a public interest perspective. The member organisations of the Forum include state bodies, government departments, local authorities, higher education institutions, and not-for-profit bodies.

The auditor's perspective

► Trust

“Trust your own
instinct. Your
mistakes
might as well
be your own,
instead of someone
else's.”

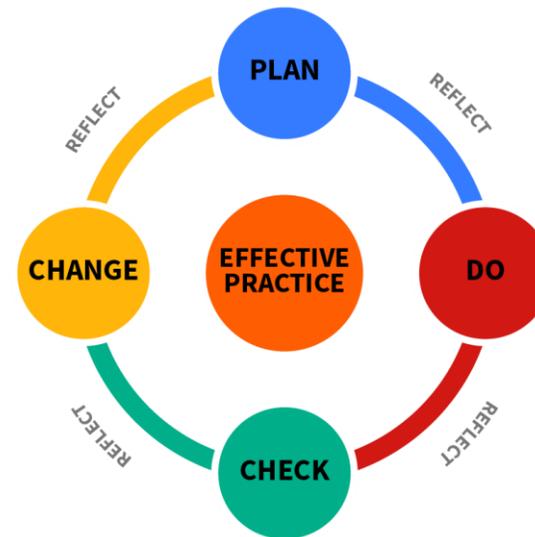
Billy Wilder

► Assurance



Public money - Accountability and Assurance Frameworks

- ▶ Code of Practice for the Governance of State Bodies 2016
- ▶ Audit and Assurance
- ▶ Trust and the audit
- ▶ When trust breaks down



Code of Practice for the Governance of State Bodies - 2016 (The Code)

Designed to ensure that State bodies meet the highest level of corporate governance

Based on the underlying principles of good governance, accountability, transparency, probity

Greater emphasis on accountability and transparency - underpinned by effective relationships between the Minister and the Chairperson of the State body



Good governance



- Importance of the tone at the top
- the Board gives assurance to the Minister/Parliament
- Review of effectiveness of internal controls



OACG Mission statement

to provide independent assurance that
public funds and resources

are used in accordance with the law

are managed to good effect

are properly accounted for

And to contribute to improvement
in public administration



Audit and Assurance

The audit is focused towards delivery of assurance at two levels

Stakeholders

- Independence, opinion, and reports
- Deliver assurance

Board and Management

- Observe and report on any shortcomings in financial reporting and operations/systems
- Share experience on best practice

The audit approach is tailored to the specific circumstances of the entity taking account of

- Complexity of accounting treatments used to account for transactions
- Changes in accounting environment
- Changes in the business environment
- Result of work by Internal Audit
- Considerations raised by Board / Audit Committee

We focus our audit on those risks that impact on financial reporting

Audit and Assurance



- ▶ **Audit opinion** - true and fair view/properly presents
- ▶ **Objective** - to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error
- ▶ **Exercise** - professional judgment and maintain professional scepticism throughout the audit
- ▶ **Communicate** - with those charged with governance, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit
- ▶ **Report on other matters** - if there are material matters relating to the manner in which public business has been conducted.
- ▶ **Report on other matters** - if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.





Audit and Assurance

- ▶ The audit scope does not extend to providing assurance on the arrangements in place for ensuring the proper conduct of financial business or the managing of performance and use of resources.
- ▶ Neither do we search specifically for fraud or test the effectiveness of all control systems.
- ▶ We don't express an opinion on the effectiveness of the internal controls.
- ▶ However, in planning and performing an audit we obtain an understanding of, and examine many aspects of an entity's business and financial processes.
- ▶ While the audit cannot be expected to identify all weaknesses or irregularities that may exist, we do report our findings or observations on matters which we believe should be addressed.



Trust and the auditor

Maintaining professional scepticism



- ▶ Auditor's role is not limited to ensuring management have evidence to support its assertions
- ▶ Rigorous questioning and challenging of management's assertions
- ▶ Risk assessment process undertaken through independent eyes
- ▶ High degree of knowledge of the audited entity's business and the environment in which it operates
- ▶ Audit managers actively involved in all aspects of the audit including assessing risk and planning audit procedures
- ▶ Assess critically the information and explanations obtained
- ▶ Investigate the nature and cause of deviations or misstatements
- ▶ Be alert for evidence that is inconsistent
- ▶ Have the confidence to challenge management and the persistence to follow things through to a conclusion
- ▶ Challenge consensus views
- ▶ Engage with senior management and those charged with governance



When trust breaks down

Think of the impact of a breach of trust in say a charity or voluntary organisation. The impact is initially felt by staff, clients, volunteers. But then it can be wider, impacting on other charities and society as a whole.



When trust breaks down



- ▶ Reputational impact for State body
- ▶ Information - withheld, misleading, mis-information
- ▶ Mis-representation
- ▶ Difficult to re-build trust
- ▶ Rigour of audit and examination processes
- ▶ Recent C&AG reports
- ▶ Importance of maintaining professional scepticism
- ▶ Auditor judgment



To summarise



- ▶ Code of Practice provides the framework for good governance
- ▶ Role of the public auditor in providing assurance to Dáil Eireann
- ▶ Trust -v- Professional Scepticism (and auditor judgment)
- ▶ When trust breaks down - Reputational and other impacts

