

Audit Committee 20 January 2011  
Appendix 1



▶ Presentation to Members

**Bridgend County Borough Council**

Cyngor Bwdeistref Sirol Pen-y-bont ar Ogwr



# From Plan to Report

How we conduct an Audit

[www.bridgend.gov.uk](http://www.bridgend.gov.uk)

# Selecting the Audit




- ▶ Audit Plan

But also sometimes:

- ▶ Special Request
- ▶ Special Investigation

Allocated to a Group Auditor  
and 'Lead Auditor'


# Assessing the Risks

- 
- ▶ Initial assessment of risks
  - ▶ Made by Lead Auditor
  - ▶ Reviewed By Group Auditor


# Agreeing the Scope

- ▶ Draft 'Audit Brief'
- ▶ Outlines Objectives of Audit
- ▶ Discuss with Directorate Management
- ▶ Sign off by Group Auditor / Chief Internal Auditor

# Sharpening the Tools

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- ▶ Choose or Prepare the Checklists & Audit Programmes
  - ▶ Sometimes these will be 'Off the Shelf'
  - ▶ Sometimes our own.
  - ▶ Always Tailored

# Identify the System

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- ▶ Discuss with Directorate Management key elements of the control system
  - ▶ Identify Areas for testing

# Testing


- ▶ Substantive or Compliance Testing
- ▶ Mostly Compliance
- ▶ Identify what, why and how
- ▶ Carry out testing.



# Recording

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- ▶ Record in clear working papers
  - ▶ Working papers are reviewed by Group Auditor

# Initial Conclusions and Recommendations




- ▶ Draft initial conclusions & Recommendations
- ▶ Discuss with Client Manager
- ▶ Discuss and review with Group Auditor

# Draft report

- ▶ Prepare draft report
- ▶ Reviewed by Group Auditor
- ▶ Then discussed with Client Management
- ▶ Correct Errors and Misunderstandings
- ▶ Get Management's Response

# Ranking The Recommendations

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- ▶ **Fundamental** - action imperative to ensure that the Authority is not exposed to high risks;
  - ▶ **Significant** - action necessary to avoid exposure to significant risks;
  - ▶ **Merits attention** - action that is desirable and should result in enhanced control or better value for money (VFM).

# Audit Opinion

- ▶ **Substantial Assurance** -
- ▶ Key controls exist and are applied consistently and effectively; and,
- ▶ Objectives are being achieved efficiently, effectively and economically (VFM).
- ▶ **Reasonable Assurance**
- ▶ Key controls exist but there may be some inconsistency in application;
- ▶ Compensating controls operating effectively; and,
- ▶ Objectives achieved after a fashion, e.g. VFM could be improved.
- ▶ some risk of loss, fraud, impropriety, or damage to reputation)

# Audit Opinion




- ▶ **Limited Assurance**

- ▶ Key controls exist but they are not applied, or significant evidence that they are not applied consistently and effectively; and,
- ▶ Objectives are not being met, or are being met without achieving VFM.
- ▶ (a high risk of loss, fraud, impropriety, or damage to reputation)

- ▶ **No Assurance.**

- ▶ Key controls do not exist; and,
- ▶ Objectives are either not met, or are met without achieving VFM.
- ▶ (a very high risk of loss, fraud, impropriety, or damage to reputation)

# Final Report

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- ▶ Prepare Final Report incorporating Management Responses
  - ▶ Review by Group Auditor
  - ▶ Dispatch
  - ▶ Report to Audit Committee
  - ▶ Follow up key recommendations in due course

# Client Acceptance & Questionnaire



- ▶ Management's Formal Acceptance
- ▶ Client's Feedback on conduct of Audit