# Scope of financial audit, respective responsibilities and other matters

### Scope of the audit

1. Our audit of the financial statements will be carried out in accordance with International Standards on Auditing (UK) (ISAs) issued by the Financial Reporting Council (FRC), taking into account the Financial Reporting Council’s Practice Note 10: *Audit of Financial Statements in Public Sector Bodies in the United Kingdom* [and, if applicable, Practice Note 15 (Revised): *The Audit of Occupational Pension Schemes in the United Kingdom (Revised)* for the audit of occupational pension schemes/Practice Note 11 (Revised): *The Audit of Charities in the United Kingdom (Revised)* for the audit of Charities]. These standards represent best practice in auditing and aim to promote uniformity of practice throughout the world, thereby increasing public confidence in the audit process.
2. Our audit procedures are designed primarily to provide an opinion on whether the financial statements provide a true and fair view of the position at the year end and the activities reported for the year then ended, that the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and that the transactions conform to the authorities which govern them (‘regularity’).
3. In addition we have a professional responsibility to report if the financial statements do not comply in any material respect with the Government Financial Reporting Manual (FReM)/ Statement of Recommended Practice (SORP)/ other and relevant guidance issued by the relevant authority e.g. Department of Finance (DoF) or in the case of NDPBs the relevant sponsor Department. We therefore review the quality, effectiveness and transparency of the accounting practices and financial reporting. This includes consideration of the appropriateness of accounting policies, accounting estimates and judgements and the adequacy of disclosures affected by unusual or non-recurring transactions recognised during the period.
4. As part of our audit we will review the information contained in the Annual Report. Certain information given in the Annual Report and part of the Remuneration Report are subject to our audit opinion. Other information in the Annual report is reviewed only to the extent that we confirm that it is consistent with the financial statements and our understanding of the business. We also review the overall balance and clarity of information contained in the Annual Report.

***Governance Statement***

1. We will also review the Governance Statement to ensure it has been prepared in accordance with Department of Finance guidance, including *Managing Public Money Northern Ireland,* and that the statement fairly reflects our understanding of the state of internal control systems within the entity during the year.

### Respective Responsibilities

### In line with Auditing Standards we are required to agree the respective responsibilities of the C&AG, the audited body’s Accounting Officer and the NIAO. These responsibilities are set out in the Letter of Understanding/Engagement.

1. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

**Preparation of the financial statements**

1. The primary responsibility for the preparation of the financial statements and the regularity of financial transactions lies with the audited body.
2. The financial statements should be prepared in accordance with the Financial Reporting Manual (FReM)/Statement of Recommended Practice (SORP)/other.

### Supporting Records

1. All relevant general ledger transactions should be processed to allow trial balances to be made available for audit purposes with the draft financial statements. Any amendments made to the trial balances after the close of books should be discussed with NIAO staff and supported by an approved journal and any other underlying documentation. Further adjustments may be required as a result of our audit findings.
2. We will require access to schedules and documentation which support the figures and disclosures within the financial statements, and we would expect the draft account to have been subject to appropriate management review prior to submission for audit. A list summarising the key items of audit information required and the dates that we need them for will be agreed with the finance team prior to each audit visit.
3. We will verify that the submitted financial statements and their supporting schedules have been subject to a detailed management review. We recommend that the financial statements are reviewed against the NIAO Disclosure Guide and the NIAO Hot Review Checklist prior to submission for audit. These will be provided to the finance team upon request.

**Fraud**

1. The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. The Accounting Officer is responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.
2. Our audit is designed to provide reasonable assurance that the financial statements (as a whole) are free from material misstatement, whether caused by fraud or error. We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent.
3. We are required to make inquiries of those charged with governance in respect of your oversight responsibility for:
* management’s assessment of the risk that the financial statements may be materially misstated owing to fraud, including the nature, extent and frequency of such assessments;
* management’s process for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that has been brought to its attention;
* management’s communication to the Audit Committee (and others charged with governance) on its processes for identifying and responding to the risks of fraud; and
* management’s communication, if any, to its employees on its views about business practices and ethical behaviour.
1. We will also make inquiries about whether management has knowledge of any actual, suspected or alleged fraud.

**Regularity and propriety**

1. Our audit of regularity will be conducted in accordance with Financial Reporting Council’s Practice Note 10: *Audit of financial statements of public sector entities in the United Kingdom*. We test that the transactions entered into by the organisation comply with the regularity framework within which the audited body operates. Our approach to completing the regularity audit will be to obtain a sufficient understanding of the framework under which audited body operates and to test compliance.
2. This means gaining assurance that audited body’s income and expenditure transactions are in accordance with appropriate authorities, including the statutory framework for the organisation, Managing Public Money Northern Ireland and other requirements of the Northern Ireland Assembly and the Department of Finance.
3. We will also have regard to the concept of propriety in conducting our audit, which is concerned with the Northern Ireland Assembly’s intention as to the way in which public business should be conducted, concerning the avoidance of waste and extravagance.

**Communication of audit matters**

1. ISA 260: *Communication with those charged with governance* provides guidance for communication during the audit cycle.
2. The principles of this ISA are embodied in the NIAO audit approach. These include the provision of this strategy document, wash-up meetings, after audit visits to communicate findings, and the provision of a Report to those Charged with Governance at the completion of the audit setting out observations and recommendations on significant matters which have arisen during the course of the audit.
3. In addition, the ISA states that ‘*the auditor shall communicate with those charged with governance significant difficulties, if any, encountered during the audit*’. Significant difficulties would include delays in management providing required information, the unavailability of expected information and restrictions imposed on the auditor by management. We will consider if any issues we have in performing our audit represents significant difficulties. If we encounter significant difficulties we must report these to those charged with governance, documenting how they have been resolved.
4. ISA 265: *Communicating deficiencies in internal control to those charged with governance and management* places a responsibility on the auditor to communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements. We will report significant deficiencies in writing to those charged with governance and management.

### Whole of Government Accounts (if applicable)

1. If the audited body has been designated for inclusion in the Whole of Government Accounts (WGA) by DoF under section 15(1) of the Government Resources and Accounts Act (Northern Ireland) 2001, it is required to provide a WGA return to DoF as directed.
2. If the audited body is deemed by DoF to be a ‘WGA Minor Body’ it has very limited reporting requirements for WGA and does not require an audit of its WGA returns. Minor Body status is subject to review each year.

Alternatively,

The audited body’s annual WGA return may require to be audited. The requirement for audit and extent of that audit will be determined each year in accordance with certain criteria set by the National Audit Office’s WGA audit team. Where an audit is required, you are responsible for providing us with the accounting records and all other relevant records and related information that support it.

**Personal Data**

1. The processing of personal data for audit purposes will be completed in accordance with the requirements of the Data Protection Act 1998. We have procedures in place to ensure that the security of personal data is safeguarded at all stages of the audit process. We will notify you in the Key Messages section of the Report to those charged with Governance of action taken to return, retain or destroy any personal data processed for audit purposes.

**Assembly of certified audit files**

1. International Standard on Quality Control (UK) 1 (ISQC1): *Quality control for firms that perform audits* provides guidance on the assembly of completed audit files. We are dedicated to achieving quality throughout our audit process. [ISQC1](http://www.frc.org.uk/apb/publications/pub0713.html) suggests that 60 days is sufficient time to assemble the files and also states that firms should have “policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation”.
2. As part of our office procedures we operate a structured approach to storing the completed audit files within 60 days of certification thereby demonstrating compliance with [ISQC1](http://www.frc.org.uk/apb/publications/pub0713.html) requirements (which are echoed in [ISA 230: *Audit documentatio*n](http://www.frc.org.uk/apb/publications/pub1013.html)). Therefore we will request that management responses to our Report to those charged with Governance are agreed within 60 days of certification.

**Independence**

1. The NIAO complies with relevant ethical requirements regarding independence and has developed important safeguards and procedures in order to ensure our independence and objectivity. We will reconfirm our independence and objectivity for the year ended in our Report to those Charged with Governance.