

Reaping Value from the Audit Processes

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Uphold public interest

Session Objectives



Gain understanding of the types of audit, how can entity tap into;

Understand the audit process and the opportunity windows;

Audit opinions and their implications; and

Optimizing from the current Audit.

Audit Types



Section 34 to section 38 of the Public Audit Act, 2015 spells out five types of audits that the Auditor-General may conduct:-

Periodic Audits

Carried out on request or on own initiative which are proactive, preventive, and deterrent to fraud and corrupt practices, systemic and shall be determined with a view to evaluating the effectiveness of risk management, control and governance processes.

Audit Types cont'd



Annual Financial Audits

Audits of financial statements under Article 229 of the Constitution; for State Organs and public entities and report annually to Parliament and relevant county assembly.

Performance Audit

Audit to examine the economy, efficiency and effectiveness with which public money has been expended pursuant to Article 229 of the Constitution.

Audit Types cont'd



Performance Audit-Cont'd

A comprehensive performance audit may also be carried out within six months after the completion of any National or County project to evaluate, whether the citizen has gotten value for money from the project.

Forensic Audit

Upon request by Parliament, forensic audits may be conducted to establish fraud, corruption or other financial improprieties.

Audit Types cont'd



Procurement audits

Examines the public procurement and asset disposal process of a state organ or a public entity with a view to confirm as to whether procurements were done lawfully and in an effective way.

Audit Process



There are four distinct steps:-

1. Planning;
2. Execution;
3. Reporting; and
4. Follow Up.



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Audit Opinions



Audit Opinion	Comment
Unqualified Opinion The financial statements present fairly, in all material respects' the financial position.....	'clean' opinion – this is the opinion everyone wants to see <i>(May Contain Emphasis of Matter, Other Matter or Key Audit Matter (s))</i>
Qualified Opinion Except for...., the financial statements present fairly, in all material respects	There are specific material misstatements, such as an incorrect accounting policy, fair statement of receivables due to inadequate provisions for impairment, or an undisclosed material uncertainty relating to going concern. <i>(May again contain an Emphasis of Matter, Other Matter or Key Audit Matters)</i>

Audit Opinions



Audit Opinion	Comment
Adverse Opinion The financial statements are not fairly stated	There are multiple fundamental misstatements in the accounts that are completely wrong and misleading (<i>May also contain Emphasis of Matter , Other Matter or Key Audit Matter(s)</i>)
Disclaimer of Opinion 'I am not able to express an opinion'	There are significant number of documents and or explanations missing that makes it impossible for one to form an opinion

Audit Opinion Cont'd



Emphasis of matter

A matter that is appropriately presented or disclosed in the financial statements but in the auditor's judgment it is of such importance that it is fundamental to users' understanding of the financial statements e.g. disclosed uncertainty relating to going concern.

Other matter

Matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to user understanding of the audit, but does not have a bearing on the audit opinion e.g. Budget control and performance or pending bills.

Optimizing from Current Audit



- A. Cultivate positive culture with the auditors and view the process as a partnership and opportunity to improve;
- B. Engage the auditors fully throughout the audit process;
- C. Segment audit recommendations arising from the current audits into High, Medium and Low priority;
 - High Priority are issues of significance and must be resolved within the shortest time possible normally within 3 months;
 - Medium are of moderate impact and may be resolved within the 6 months of identification; and
 - Low Priority are of less impact and could be resolved within 12 months of identification.

Reaping from the Current Audit



- D. Assign responsibility for resolution of the audit observations to the functional heads with clear timelines;
- E. Assign responsibility for tracking the implementation progress to the head of internal audit with periodic reporting, at least quarterly;
- F. Actions taken to resolve the issues should be adequately documented and approved before issues are marked as resolved.
- G. Seek support of the Auditor-General on areas of difficulty in implementation



