

Opening Meeting

Organisation Name

10 January 2017

Agenda

1. Introductions, Roles & Responsibilities
2. Timeline and Key Audit Dates
3. Rationale and Objectives of the Audit
4. Scope Overview and Business Objectives
5. Ratings: Findings and Opinions
6. Questions.

Introductions

10 January 2017

Audit Team

Names and roles



Sarah Pumfrett

Partner

Audit Director –
Business Risk Assurance

IT Audit Senior Manager

Audit Manager

Senior Auditor

Audit Assistant

Auditee Team

Names and roles

Sponsor: Head of Bus Improvement & Int Audit

Focal Point: Compliance & Risk Manager

Auditees: Finance Manager
Capital & Resource Planning Manager
Data Centre Manager

Responsibilities

Party	Responsibilities
Sponsor / Focal Point	<ul style="list-style-type: none">• Communication of clear and timely assurance requirements including contextual justification and scoping for audit;• Approval of Terms of Reference (ToR) prior to opening meeting;• Approval of Audit Programme prior to fieldwork commencement;• Identification of auditees and facilitation of fieldwork; and• Receipt of final Audit Report.
Auditees	<ul style="list-style-type: none">• Facilitate audit fieldwork with timely response to information requests/provision of complete, accurate and valid information;• Confirm factual accuracy of findings;• Identifying/agreeing actions, target dates & action owners; and• Timely review and response to Draft Audit Report.
Lead Auditor	<ul style="list-style-type: none">• Drafting ToR, Audit Programme, Meeting slides, Audit Report etc;• Leading the team during fieldwork execution; and• Stakeholder management.
Audit Manager	<ul style="list-style-type: none">• Approving ToR/Audit Programme/draft Report before issue.• Quality reviewing work papers to confirm findings/opinions substantiated/report accurately reflects assurance/is consistent with ToR coverage or explains variance.• Stakeholder Management
IT Audit Manager	<ul style="list-style-type: none">• Approving IT element of ToR/Audit Programme/draft Report before issue.• Quality reviewing IT work papers to confirm findings/opinions substantiated/report accurately reflects assurance/is consistent with ToR coverage or explains variance.
Audit Director	<ul style="list-style-type: none">• Approve ToR, Audit Programme, Final Audit Report• Stakeholder management

Timeline

Key Dates

10 January 2017

Timeline

Audit Approach

Plan the Audit

- Terms of Reference
- Pre read
- Risk analysis
- Audit Programme Development
- Data Analysis

Execute the Audit

- Opening Meeting
- Execute testing
- Confirm issues
- Draft findings
- Discuss actions
- Review work papers
- No surprise meeting

Wrap the Audit

- Draft Audit Report
- Discuss Actions
- Closeout meeting
- Finalise Audit Report

Timeline

Key Dates

Action	Date / Deadlines
Draft Terms of Reference issued	15 December 2016
Terms of Reference agreed	6 January 2017
Audit Programme submission/approval	9 January 2017
Opening Meeting	10 January 2017
Background information requested	10 January 2017
Data received	11 January 2017
Background information received	11 January 2017
Fieldwork (Location 1)	11 – 20 January 2017
Fieldwork (Location 2)	16 January – 2 February 2017
No surprise meeting	9 February 2017
Draft audit report	17 February 2017
Closeout meeting	21 February 2017
Final audit report	31 March 2017

Rationale and Objectives of Audit

Scope overview, objectives and risks

10 January 2017

Audit Rationale

Organisation Name

The audits of:

- Income;
- Expenditure;
- Payroll; and
- Travel and Subsistence;

were included in the Annual Audit Plan as part of the periodic review of financial controls supporting the External Audit of financial statements.

One fraud was identified in 2016 and traced to inadequate Segregation of Duties relating to Master Data Amendments

Audit Objective

Organisation 1

To appraise whether a fit for purpose risk based control framework is:

- In place;
- Designed to provide reasonable assurance that the entity will achieve its stated objectives;
- Was implemented according to design;
- Is adequately resourced; and
- Is operating as anticipated.

Audit Scope

Income - Accounts Receivable (Order to Cash receipt):

- Completeness, Accuracy, Validity and Timeliness of: Master Data amendments; and Income recognition;
- Credit authorisation, monitoring and collection;
- System Controls – Access, Segregation of Duties, Integrity, Availability, Resilience; and
- Efficiency of processing.

It will NOT cover:

- governance/culture/controls oversight/monitoring
- business continuity/disaster recovery preparedness (including backup processes/testing).

Audit Scope

Expenditure – Accounts Payable (Requisition to Payment):

- Completeness, Accuracy, Validity and Timeliness of: Master Data amendments; and expenditure recognition;
- Debit monitoring and realisation;
- System Controls – Access, Segregation of Duties, Integrity, Availability, Resilience; and
- Efficiency of processing.

It will NOT cover:

- governance/culture/controls oversight/monitoring
- business continuity/disaster recovery preparedness (including backup processes/testing).

Audit Scope

Payroll:

- Completeness of data transfers (interface controls);
- Validity (master data amendments);
- Existence of employees;
- Accuracy of processing;
- Access restrictions (covering master data amendments, payroll processing and reporting);
- Disclosure (regulatory/management reporting etc);
- Integrity (application embedded controls);
- Resilience of systems, processes and staffing.

It will NOT cover:

- governance/culture/controls oversight/monitoring
- business continuity/disaster recovery preparedness (including backup processes/testing).

Audit Scope

Travel & Subsistence

- Completeness of supporting documentation
- Accuracy of processing
- Validity of claims (consistency to policy)
- Efficiency of Spend (statistical analysis by category of spend/job function etc.)

It will NOT cover:

- follow up of points, or testing of any failed controls, raised by recent external review;
- governance/culture/controls oversight/monitoring;
- business continuity/disaster recovery preparedness (including backup processes/testing);
- or travel arrangements for the areas under audit.

Business Objectives

Organisation Name

No business objectives were identified in relation to the Organisation's Scope.

Audit Rationale

Organisation 2

The audit of Organisation 2 was included in the Annual Audit Plan to provide assurance that the framework imposed on it by Organisation 1 was designed effectively to manage the risks, and fit for the purposes of the organisation.

It is the first audit of this entity.

Audit Scope

Organisation 2

- Completeness of supporting documentation
- Accuracy of processing
- Validity of claims (consistency to policy)
- Efficiency of Spend (statistical analysis by category of spend/job function etc.)

It will NOT cover:

- follow up of points, or testing of any failed controls, raised by the recent external review;
- governance/culture/controls oversight/monitoring;
- business continuity/disaster recovery preparedness (including backup processes/testing);
- or travel arrangements for the areas under audit.

Business Objectives

Organisation 2





- List Objectives.

Ratings, Findings & Opinions

10 January 2017





Ratings

Findings

Classification	Definition
 No issue or Minor improvement/efficiency opportunity - Optional to address	The gap/control issue is likely to cause an insignificant impact on achievement of a small number of business objectives. However, addressing it would enhance the control framework or realise efficiencies.
 Requires intervention to address – timescale: 12 months	The gap/control issue is likely to cause an adverse impact on business objectives achievement, for the entity under audit (e.g. department or subsidiary).
 Requires immediate intervention to address – timescale: 6 months	The gap/control issue is likely to cause a substantial adverse impact on business objectives achievement for the entity under audit (e.g. department or subsidiary).
 Requires immediate senior level intervention to address – timescale: 3 months	The gap/control issue is likely to cause a substantial adverse impact on business objectives achievement, not only for the entity under audit (e.g. department or subsidiary) but also, for the wider organisation (business or group).

Ratings

Opinion

Classification	Definition
 Fit for purpose	The control framework is designed to effectively manage risk to a defined risk appetite, has been implemented to specification and is operating as intended.
 Substantially fit for purpose	The control framework is designed to effectively manage risk to a defined risk appetite, has been implemented to specification and is operating substantially as intended. Control gaps or failures identified are isolated, immaterial and confined to a few specific areas.
 Fit for purpose with widespread or systemic control gaps/failures	The control framework is not designed to effectively manage risk to a defined risk appetite, was not implemented to specification and is not operating as intended. Control gaps or failures identified were widespread and/or systemic. Whilst immaterial individually, collectively they pose a risk to the entity.
 Not fit for purpose;	The control framework is not fit for purpose. Control gaps/failures identified were extensive and/or material beyond the entity

Questions?

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