

Essentials of Compliance
Audit and Key Planning
Parameters
Session -03

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- The main objective of compliance auditing is to provide the intended user(s) with information on whether the audited public entities follow parliamentary decisions, laws, legislative acts, policy, established codes and agreed upon terms.

Essentials of Compliance Audit

- Compliance auditing includes both the aspects of regularity (adherence to formal criteria such as relevant laws, regulations and agreements) and /or propriety (observance of the general principles governing sound financial management and the conduct of public officials)

Essentials of Compliance Audit CONTD..

- Identifying intended user(s) and responsible parties
 - The persons/ legislative bodies for whom the auditor prepares the compliance audit report
 - Identifying the responsible party is important when setting the audit criteria, in determining the level of assurance to be provided and how this assurance should be communicated, the auditor needs to identify the intended user(s) and their needs

Key Planning Parameters

- Defining the subject matter and the corresponding audit criteria
 - When auditing a subject matter, the auditor has to make sure that there are corresponding audit criteria
- Determining the level of assurance
 - Depending on the mandate of SAI and the subject matter the auditor will decide whether to provide reasonable or limited assurance

Key Planning Parameters Contd..

- Determining materiality
 - Base on the selected subject matter, materiality is determined by identifying the level of non-compliance that is likely to influence the decisions of the intended user(s)

Key Planning Parameters contd..

- Understanding the entity, its environment & ICs
 - The auditor needs to understand the entity and its environment and how this may influence the subject matter
 - The auditor needs to obtain an understanding of the entity's internal control relevant to the audit.

Key Planning Parameters contd..

- **Audit Strategy & Audit Plan**
 - The audit strategy is the basis for deciding whether the audit is possible to execute.
 - The audit strategy describes what to do and audit plan how to do it.

Key Planning Parameters contd..

- From control focus to risk focus
 - If there was no risk there would be no need for control. It is not possible to evaluate control effectively without analyzing risk
- From risks to contexts
 - Organizations are exposed to risk from the conditions and circumstances (and the changes to these situations) which surround the organization.
 - The source of risk exposures and opportunities are the focus for risk analysis. These conditions, circumstances, threats & opportunities represent the contexts which have the potential to impact the organization

System based to
Risk based
assurance

- From past to future
 - Focus on the future when reviewing records and so on, will drive performance & enhance control
- Review to preview
 - When managers are facing the challenges of the future more emphasis on the 'preview' must be made.

System based to risk
based assurance

- Auditing knowledge to business knowledge
 - Auditors need more and more real current knowledge of the business if they are to provide an effective service, particularly if they intend to widen the coverage as per the risk based approach

System based to risk
based assurance

THANK YOU