Example: Audit protocols

Foreword

The following is an example of an audit protocols document. It outlines the respective roles and responsibilities of the entity and the Australian National Audit Office (ANAO) in the course of audit activities.

It is intended to serve as a general reference for both the entity and the ANAO, with a view to improving stakeholder communication and enhancing the efficiency and effectiveness of the financial statement audit processes. It is intended to be used as a base document to assist an entity when discussing and agreeing protocols with the ANAO.

This example reflects a large entity, and may not necessarily align with your entity's requirements. It may include references and timings which are not applicable to your circumstances.

The document can be adapted to suit your entity's needs and governance structure.

Introduction

The [entity name] and Australian National Audit Office (ANAO) Protocol outlines the respective roles and responsibilities of [entity name] and ANAO in the course of audit activities. It is intended to serve as a general reference for both ANAO and [entity name] with a view to improving stakeholder communication and enhancing the efficiency and effectiveness of the financial statement audit processes.

This Protocol will be reviewed on an annual basis by the Chief Financial Officer (CFO) in consultation with the ANAO to ensure that it continues to meet ANAO and [entity name] requirements and adds value to the working relationship.

The Protocol will be agreed prior to the December Financial Statements Sub-Committee meeting and agreed by both parties.

Expectation from [entity's name] and ANAO team members:

- Both ANAO and [entity name] will work towards efficient audit and financial statement preparation practices.
- All team members will respond to reasonable requests within the timeframes advised below and where delays are expected from either team, they will be advised as soon as practicable along with a revised timeframe.
- Team members will commit to maintaining accurate request and issues registers and attending meetings as outlined below.
- In the event that a staff member is unable to attend a scheduled meeting, notice will be provided as soon as possible. Both teams will work to minimise cancellation of meetings.
- Staff are to comply with APS Code of Conduct.
- Issues arising should be escalated within either the ANAO audit team or the [entity name] financial reporting team and discussed between the team managers. If the issue remains unresolved it should be raised at the weekly meetings outlined below.
- All team members to have appropriate skills to perform their relevant tasks (e.g. SAP and Excel).
- All team members to have appropriate security clearances commensurate with the level of work undertaken.
- [entity name] and ANAO to advise of changes to resourcing and to ensure that each team has adequate processes to minimise disruption.
- All team members will be appropriately prepared for meetings having reviewed current available information prior to the commencements of meetings.

Financial statement preparation timetable

- [entity name] to prepare a financial statement timetable in [agreed date e.g. November] and provide to ANAO with at least two weeks' notice for comment.

- ANAO to provide comments on financial statement preparation timetable including planned audit phase timings by 30 November.
- Financial statement preparation timetable to be provided to the [agreed date e.g. December] Financial Statements Sub-Committee.

Meetings

- Monthly meetings are to be held between [entity name]'s CFO and ANAO engagement executive during the planning, interim, soft close phases respectively.
- Fortnightly meetings to be held between [entity name]'s CFO and ANAO engagement executive during the final phase of the audit, or as required.
- Closing meetings are to be held between [entity name]'s CFO and ANAO engagement executive at the conclusion of the planning, interim, soft close and final phases of the audit.
- Regular [agreed rate of meetings e.g. fortnightly] meetings are to be held between ANAO engagement executive and audit manager, [entity name]'s CFO and the Director for Financial Reporting from April, then at least on a weekly basis from July, or as required.
- [entity name] will prepare an agenda for these meetings, which will incorporate any agenda items ANAO would like to discuss at the meeting.
- ANAO audit team will provide the Director Financial Reporting with a list of their agenda item(s) the day before the scheduled meeting.
- [entity name] and ANAO will respond to action items as soon as practical after the meetings. Any items on the outstanding list outside the agreed delivery times will be given immediate attention, and if not resolved within two working days should be escalated to [entity name]'s CFO.
- ANAO audit team will comprise of both Systems Assurance and Data Analytics (SADA) and Financial Statements (FS) auditors. Updates provided by ANAO will involve both SADA and FS audit.
- ANAO and [entity name] will agree minutes of all meetings within 2 business days.

Information Requests

- All audit requests are to be directed in the first instance to the nominated Audit Liaison in Financial Reporting Section. The Audit Liaison will communicate with Divisional staff on an ad-hoc basis or as appropriate.
- A 'Request Register' will be maintained by ANAO to record all audit requests including [entity name]'s staff contact and request date. A copy of the register will be provided to Director Financial Reporting and discussed at the weekly meetings.
- Where ANAO have requested information from [entity name] and have not received the information within [agreed timeframe e.g. 3 days] business days during all audit phases, ANAO is to advise the Director Financial Reporting.

- Between January and May, the ANAO will provide the Director Financial Reporting [agreed timeframe e.g. 3 weeks] prior to the start of the audit phase a list of information and data required for Interim Audit, March Hard Close and Year End Audit. [entity name] understands that non-standard reports will be required by ANAO for their audit, and early advice for non-standard reports will assist [entity name] with appropriate turnaround time for the complexity of the task.
- Requests should be specific and minimise the use of jargon so that Audit Liaison can ensure that the request is passed on to the appropriate contact and minimise the provision of incorrect information.
- [entity name] will maintain a register of position papers submitted to ANAO and record date of responses from ANAO.
- [entity name] will maintain a register of accounting issues and provide to ANAO.

Significant Issues

- ANAO Audit Manager or Executive Director will advise in the first instance the Director Financial Reporting, and if considered necessary CFO, immediately of any significant issues arising during the financial statements process for [entity name], or of any issues arising from ANAO performance audits, where appropriate.
- An 'Issues Register' will be maintained by ANAO to record all significant audit issues. A copy of the register will be provided to the Director Financial Reporting and CFO and discussed at the weekly meeting.
- An 'Audit Log' will be maintained by Financial Reporting team to record all requests for information from ANAO and list all audit issues. The log will be provided to ANAO and discussed at the weekly meeting and will be required to be signed off by the Audit Manager and Director Financial Reporting.
- The Director Financial Reporting should advise ANAO immediately of any significant issues arising during the financial statement process.
- Significant audit issues will also be discussed at the monthly meetings between CFO and ANAO Executive Director.
- If ANAO or [entity name] believe adequate progress is not being made in resolving these issues within an acceptable timeframe, a meeting will be convened between ANAO's Executive Director, and the CFO to progress the issues.
- Issues unable to be resolved must be elevated to the Financial Statements Sub-Committee for discussion. The FSSC is responsible for informing Audit Committee of any issues that continue to be unresolved.

March Hard Close

- For the 20X1 – 20X2 financial statements March Hard Close, the Director Financial Reporting and CFO will discuss the areas/items of audit coverage with ANAO and reach a shared understanding.
- [entity name] will provide:

  - an End of Month file with reconciliations and supporting documentation for all balances;
  - draft Shell financial statements;
  - completed face statements; and
  - notes will be completed as previously agreed in the Hard Close plan.
- ANAO will provide a full summary to [entity name] one week after the end of on-site testing, with potential findings to be communicated as they arise.

Year End Process

- ANAO and [entity name] will use an unders and overs schedule at year end to recognise any audit adjustments or errors.
  - This schedule is to be updated through ANAO's Schedule of Adjustments (SAD), on a regular basis during ANAO's on-site presence.
  - The Director Financial Reporting is the designated contact person regarding overs and unders.
  - ANAO is to discuss each of the adjustments, including calculations and supporting source data with the Director of Financial Reporting.
  - It is ANAO's recommendation that all adjustments identified are taken up in the financial statements. Recommended adjustments will be considered by CFO on the basis of materiality and significance and the DFR will advise ANAO of their status.
- The Director Financial Reporting will advise ANAO of any adjustments which [entity name] plans to make as part of the regular weekly meetings.
- [entity name] will provide to ANAO for review, any financial statement balance sheet items and quality assured work papers as they become available, in accordance with the agreed timetables for delivery of working papers to ANAO. No further changes are to be made to the working papers without informing ANAO.
- Three versions of the financial statements will be provided to ANAO, as outlined in the Version Control section of the Financial Statements Project Plan.
- ANAO will provide the pro forma Management Representation Letter (MRL) to the CFO within reasonable time before the signing date to allow for coordination of Divisional responses.
- [entity name] will provide ANAO with two sets of final [entity name] financial statements with the final MRL before the agreed signing date.

ANAO Audit Reporting

- ANAO will provide their interim and final management letter to [entity's name] progressively in line with their Audit Strategy Document. It is ANAO's intention to finalise any end of year reporting matters in its Closing Audit Report which will complete the audit process i.e. no final management letter to be issued.
- ANAO will provide feedback on the Interim audit to [entity name] and the Financial Statements Sub-Committee in April in respect to the March hard close.