

INTRODUCTION TO UN AUDITS

Overview

- UN Agencies/ organisations in CAG's portfolio
- Basic Structure of BoA
- Preparation for UN Audit
- SOP
- Management Letters
- Performance Measurement Matrix
- Travel and Logistics

UN agencies in CAG's portfolio

- World food Program (WFP)
 - Director External Audit (DEA) at Rome
- World Intellectual Property Organization(WIPO)
 - DG (IR) is the DEA
- International Atomic Energy Agency(IAEA)
 - DG (IR) is the DEA
- International Organization for Migration (IOM)
 - PDA London is the DEA
- World Tourism Organization (UNWTO)
 - DG (IR) is the DEA

UN Organizations for which SAI India is lead auditor

- **United Nations Peacekeeping Operations (UNPKO)**
- **United Nations Children's Fund (UNICEF)**
- United Nations University (**UNU**)
- United Nations Escrow (Iraq) Account
- United Nations Framework Convention on Climate Change (**UNFCCC**)
- United Nations Convention to Combat Desertification (**UNCCD**)
- **United Nations Joint Staff Pension Fund (UNJSPF)**
- Strategic Heritage Plan (**SHP**)
- United Nations Institute for Training and Research (**UNITAR**)

Basic structure of UN audits by BoA

UN Board of Auditors

- Established by GA Resolution 74(I) of 7 December 1946
- Audits accounts of UN, its funds and programmes
- Reports to GA through Advisory Committee on Administrative and Budgetary Questions (ACABQ)
- Three members; each Auditor General or equivalent
- Non-consecutive term of six years' duration
- Current chair of BoA – Tanzania
- Current Members of BoA – Tanzania, UK, India

Levels of scrutiny for each Report



Board of Auditors

- SAI Tanzania
- CAG India
- NAO UK

Audit Operations committee

- DEA Tanzania (Mr. Francis Kitauli)
- DEA UK (Mr. Steve Townley)
- DEA India (Mr. Ranjan Ghose)

Back offices – Tanzania,UK &
India

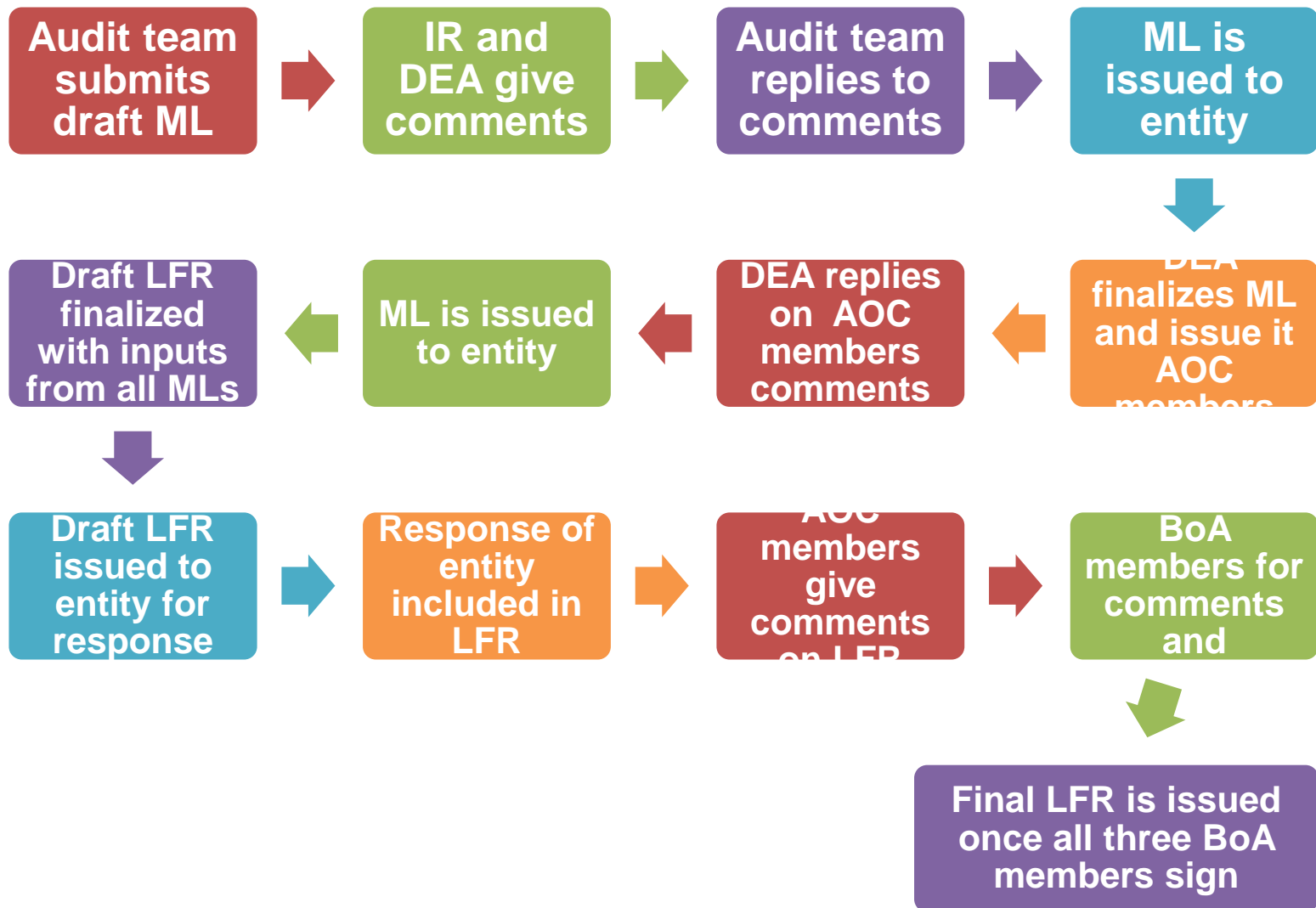
BoA functioning

- Each report of BoA is **cleared and signed by all three members**
- Each BoA management letter is circulated to all three AOC members (3 full time DEAs of Tanzania, UK and India positioned at New York)
- Every comment of 3 AOC members/ their back offices has to be considered and replied
- **Strict time frame** of giving comments and response on comments

BoA functioning

- Board provide a long-form report and an audit opinion on financial statements of each organization
- These are submitted to General Assembly or to other governing bodies along with audited financial statements
- Reports that are transmitted to General Assembly are first examined by ACABQ which forwards its own comments thereon to General Assembly.

Process of approval of a BoA report



ACABQ : (Advisory Committee on Administrative and Budgetary Questions)

- A subsidiary organ of GA, consists of 16 members appointed by GA
- It is an advisory committee to assist the fifth committee and provide expert examination of budget and related documents (including BoA reports)
- Major functions are to:
 - examine and report on budget submitted by SG to GA;
 - advise GA on administrative and budgetary matters referred to it;
 - examine on behalf of General Assembly administrative budgets of specialized agencies and proposals for financial arrangements with such agencies; and
 - consider and report to General Assembly on auditors' reports on accounts of United Nations and of specialized agencies

Fifth Committee (Administrative and Budgetary Committee)

- Fifth Committee is Committee of GA with responsibilities for administration and budgetary matters
- Based on reports of Fifth Committee, GA considers and approves budget of Organization
- Discussions and resolutions of this committee on BoA reports provide useful inputs for our further audit planning
- Conclusions and recommendations of ACABQ often form basis of draft resolutions and decisions recommended by Fifth Committee
- Fifth Committee may accept, curtail or reject recommendations of ACABQ

Preparation for UN audits

- Read
 - Standard Operating Procedure (SOP)
 - Background material sent by DEA/ IR wing
 - About organization, its mandate and functioning and topic of your audit – in case of PAs
- Gain familiarity with auditing standards
- Previous MLs and Audit reports can also give useful information and focus areas for audit
- For travel and logistics related queries refer to Frequently Asked Questions (FAQs) booklet

Standard Operating procedure

- Audit plan – in prescribed format to be submitted to DEA and IR division **at least 21 days before audit**
- Entry Conference – to be set up in advance with management through e-mail . **Minutes to be sent to DEA and IRD**
- If team is unable to conduct entry conference at the beginning, this needs to be communicated to DEA

Standard Operating procedure

- Audit observations to be issued **in prescribed format**
- Periodic meetings with audit focal point to ensure flow of information and replies. Any prolonged problem to be informed to DEA.
- **Audit observations to be sent to DEA and IRD** when issued
- Exit conference at end of audit with head of management, **minutes to be sent to DEA and IRD**

Management Letters

- Draft Management Letters (DML) to be sent to IRD and DEA on last day of audit
- Quality and content of the DML are team leader's responsibility
- No comment in DML unless issued as AO
- Management's response to be properly reflected
- DML to be 25-30 pages, including summary, Times New Roman font size 12, line spacing 1.5 , in a format as given in SOP

Management Letters

- DML to be KD linked, all KDs in electronic format to be sent to DEA
- Due care to use of moderate language, factual accuracy and structuring
- Comments of DEA and IRD – within 3 days
- Response to comments within 2 days
- DEA will issue ML to management

MLs - Frequently noticed problems

- MLs not properly KD marked
- KD folders not properly named
- MLs too long
- Auditee's response not included
- Auditee's response included selectively
- Replies to AOs pasted verbatim
- No rebuttal given to replies
- Factually incorrect comment

MLs - Frequently noticed problems

- Comments not drafted properly
 - Criteria not mentioned
 - Deviation from criteria not established
 - Extent of test(sample) not mentioned
 - Use of vague terms like “some cases” , “most cases” etc
 - Impact of deviation not included
 - Reasons not analyzed
 - Irrelevant data/text included in comment
- Recommendation not flowing from comment

Performance Measurement Matrix

- System of performance measurement to be introduced from this year
- Formats of matrices for team leader and other members already sent
- Performance will be assessed mainly on:
 - Timeliness
 - Quality of comments
 - Quality of drafting
 - Behavior and conduct

Travel and Logistics

- FAQs will probably answer most of your normal queries related to travel, visa, ex-India leave, DSA, insurance etc.
- For further questions please contact Director (IR)
- Cost of your domestic travels in relation to UN audit will be borne by IRD. Please send your TA bill through your office.
- On your return from UN audit you will report to IRD for debriefing. Please plan your travel program accordingly.

INTRODUCTION TO AUDITING STANDARDS

ISA- International Standards of Auditing

ISSAI - International Standards of Supreme Audit Institutions.

UN audits and Standards

- In our UN reports we mention that audit has been done in accordance with ISA
- Hence a general appreciation of ISA is important
- Further, being a SAI, all our audits are under framework provided by ISSAI
- Hence these two sets of standards provide guidance for our audit methodology, planning, execution and reporting

Important ISSAIs

- Level 1: Founding Principles
- Level 2: Prerequisites for the Functioning of Supreme Audit Institutions
- Level 3: Fundamental Auditing Principles
- Level 4: Auditing Guidelines
- INTOSAI Guidance for Good Governance (INTOSAI GOV)

Level 3

- ISSAI 100 – Fundamental Principles of Public Sector Auditing
- ISSAI 200 – Fundamental Principles of Financial Auditing
- ISSAI 300 – Fundamental Principles of Performance Auditing
- ISSAI 400 – Fundamental Principles of Compliance Auditing

Level 4 : important ISSAI for general guidance

- **General Auditing Guidelines on Financial Audit**

- ISSAI 1220 – Quality Control for an Audit of Financial Statements
- ISSAI 1260 – Communication with Those Charged with Governance
- ISSAI 1300 – Planning an Audit of Financial Statements
- ISSAI 1500 – Audit Evidence
- ISSAI 1520 – Analytical Procedures
- ISSAI 1530 – Audit Sampling

- **General Auditing Guidelines on Performance Audit**

- ISSAI 3000 – Standards and guidelines for performance auditing based on INTOSAI's Auditing Standards and practical experience
- ISSAI 3100 – Performance Audit Guidelines: Key Principles

- **General Auditing Guidelines on Compliance Audit**

- ISSAI 4000 – Compliance Audit Guidelines – General Introduction
- ISSAI 4100 – Compliance Audit Guidelines - For Audits Performed Separately from the Audit of Financial Statements
- ISSAI 4200 – Compliance Audit Guidelines - Compliance Audit Related to the Audit of Financial Statements

International Standards of Auditing

- **ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing**
- ISA 210, *Agreeing the Terms of Audit Engagements*
- ISA 220, *Quality Control for an Audit of Financial Statements*
- **ISA 230, Audit Documentation**
- ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*
- ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*
- ISA 260, *Communication with Those Charged with Governance*
- ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
- ISA 300, *Planning an Audit of Financial Statements*
- ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*
- **ISA 320, Materiality in Planning and Performing an Audit**
- ISA 330, *The Auditor's Responses to Assessed Risks*
- ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*
- ISA 450, *Evaluation of Misstatements Identified during the Audit*
- **ISA 500, Audit Evidence**
- ISA 501, *Audit Evidence-Specific Considerations for Selected Items*
- ISA 505, *External Confirmations*
- ISA 510, *Initial Audit Engagements-Opening Balances*
- **ISA 520, Analytical Procedures**
- **ISA 530, Audit Sampling**
- ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*
- ISA 550, *Related Parties*
- ISA 560, *Subsequent Events*
- ISA 570, *Going Concern*
- ISA 580, *Written Representations*
- ISA 600, *Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)*
- ISA 610, *Using the Work of Internal Auditors*
- ISA 620, *Using the Work of an Auditor's Expert*
- **ISA 700, Forming an Opinion and Reporting on Financial Statements**
- **ISA 705, Modifications to the Opinion in the Independent Auditor's Report**
- **ISA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report**
- ISA 710, *Comparative Information-Corresponding Figures and Comparative Financial Statements*
- ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*
- ISA 800, *Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*
- ISA 805, *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- ISA 810, *Engagements to Report on Summary Financial Statements*

Important ISA for UN audits

- ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*
- ISA 230, *Audit Documentation*
- ISA 320, *Materiality in Planning and Performing an Audit*
- ISA 500, *Audit Evidence*
- ISA 520, *Analytical Procedures*

Important ISA for UN audits

- ISA 530, *Audit Sampling*
- **ISA 700, *Forming an Opinion and Reporting on Financial Statements***
- **ISA 705, *Modifications to the Opinion in the Independent Auditor's Report***
- **ISA 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report***

What are fundamental learning from these standards

- Audits should be well planned
- Scope, objective and methodology should be clearly communicated to auditee
- Audit criteria should be unambiguous and acceptable to auditee
- Extent of checking (sampling) and conclusion drawn on basis of it should be reasonable
- Comment should be clear, based on proper analysis and evidence of deviation from relevant criteria

Thanks