

AUDIT EVALUATION GRFMA - YEAR ENDING 30 JUNE 2019

A. AUDIT EXECUTION

	Questions	Potential sources of evidence indicators	Management Comments
Behavioural factors including professional scepticism	<ul style="list-style-type: none"> To what extent does the team demonstrate professional integrity and objectivity? Would the audit partner say "no " when needed and stand by their view? Is there an appropriate degree of challenge throughout the audit? In areas of significant accounting and audit judgement, does the audit team demonstrate the robustness of their approach including the evidence considered and the rationale for the conclusions reached ? 	<ul style="list-style-type: none"> Feedback from management and the audit committee on whether senior audit team members were robust when dealing with key judgements, errors etc., whether they had conviction, were able to clearly articulate the rationale behind their position and did not unduly rely on management representations. The auditor's communications about their independence clearly articulate the safeguards considered and applied to maintain independence and objectivity Results of external quality reviews Evidence from audit committee and other meetings that the audit partner challenges executive management's view and does not just accept explanations received without corroboration. Quality and clarity of the articulation of the key audit and accounting issues. The basis for the auditor's view is clearly explained and the audit committee understands the auditor's thinking. 	DH <ul style="list-style-type: none"> The Audit team demonstrates quality control and expertise in approach Auditor attends Audit Committee meetings for one on one discussion and explanations Good documentation on peer review and sign off on audit team work
Technical Excellence	<ul style="list-style-type: none"> Is technical excellence visible within the team and is this appropriately demonstrated alongside commercial application? Are management and the audit committee provided with accounting, corporate governance and other technical and regulatory insights to allow them to operate effectively in a changing environment? Do the partner(s) take ownership of technical judgements and are they able to clearly articulate their point of view and reasoning behind them? To what extent are specialist technical resources used and effectively deployed in order to address difficult or unusual technical issues? 	<ul style="list-style-type: none"> Quality of analysis in communication and reports from the auditor Feedback from members of executive management who are best placed to assess technical competence Experience from audit committee briefings and formal meetings Results of external quality reviews No late surprises coming through communications Feedback and insights received from the specialists where involved Number of restatements and prior year adjustments 	DH <ul style="list-style-type: none"> Good technical expertise displayed though out audit

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Communication and audit reporting	<ul style="list-style-type: none"> Are communications from the auditor clear and concise and does the auditor communicate a point of view where relevant? Are the communications and reports from the auditor timely so as to allow appropriate action to be taken to prevent as well as detect material misstatements in financial reporting? Are communications from the auditor specific and relevant to your company and its circumstances rather than boiler plate? 	<ul style="list-style-type: none"> Clarity and timing of reports to management and the audit committee and whether they provide insight into broader governance matters, the company's financial reporting process and control environment rather than just accounting technical matters Use of interim and "early warning" reports in addition to communication of planning matters and findings from the audit. Feedback from management regarding communications throughout the year. No late surprises coming through communications 	DH <ul style="list-style-type: none"> Yes, good communication processes PB <ul style="list-style-type: none"> Reporting on changes to accounting/auditing standards and impact on GRFMA financial statements

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Audit efficiency and project management	<ul style="list-style-type: none"> To what extent are audit scope, audit procedures and materiality judgements influenced by budgets and fee pressures? Is the audit planned and executed with appropriate but not undue reliance on procedures carried out before the end of the reporting period, supported by realistic reporting deadlines? In a tender situation, is there evidence that the winning firm has proposed a fee that is unsuitable over the medium to long term which may put pressure on the audit team to inappropriately reduce audit scope and procedures? Are any scope or materiality changes and fee reductions logically explained without raising concerns that audit scope and execution will be inappropriately reduced? 	<ul style="list-style-type: none"> Quality and timeliness of information requests from the auditor to management. Communication of planning matters details rationale for scope and materiality changes and impact on fees Evidence from management of undue pressure on audit resources, timing of work or overall approach The impact of scope changes and one off work is clearly explained and communicated on a timely basis 	DH <ul style="list-style-type: none"> there has not been any issue with budget-service scope when additional issues questions have been posed by management. team have delivered on time within service cost documentation provided is robust good explanations on independence of audit

B. FIRMWIDE POLICIES AND PROCEDURES

Independence and quality control	<ul style="list-style-type: none"> • Are you provided with information to allow you to assess how firm-wide policies support compliance with applicable auditing and ethical standards? • Has the partner demonstrated a commitment to doing the "right thing" as well as adhering to policy (consider business relationships, non-audit services and safeguards as well as the threat of familiarity)? • Are policies and procedures in place to ensure audit quality is monitored and appropriate consequential action taken? • Does the audit team appear to have access to the right quality control resources within the audit firm such that appropriate and timely decisions are made? • Does the audit firm manage partner rotation effectively, both in terms of selecting the successor as well as ensuring a smooth transition between the outgoing audit partner and the successor? 	<ul style="list-style-type: none"> • Results from the audit firm's internal monitoring process and actions taken by the audit team in response to the results. • Audit firm transparency report – in particular the sections on independence and quality assurance and training • Reports from regulators based on their external quality reviews as well as the audit firm's response to the findings and recommendations • Clarity of communication on safeguards against threats to independence • Transparent reporting of independence exceptions and violations • Nature of relationship with management, i.e. is it robust, constructive and open yet not confrontational • Number of re-iterations and timeliness of decision making on significant matters • Discussion between the audit committee (or its delegate, e.g. the company secretary) and the audit team on the firm's policies for quality control, training, staff development, independence, professional scepticism etc • Audit committee input sought on successor partner candidates • Feedback from the audit committee as well as executive management on how the transition between the outgoing and successor partner was managed. 	<p>PB</p> <ul style="list-style-type: none"> • Annual Audit Independence Declaration provided • Partner rotation as required (every 5 years)
Continuous Improvement	<ul style="list-style-type: none"> • Does the audit firm demonstrate a commitment to ongoing training and development of its people • Is the audit team proactive in seeking feedback about the quality of the audit and the service provided? • Is the auditor open to continuous improvement and does it act upon any feedback? 	<ul style="list-style-type: none"> • Direct observations from the audit committee as well as executive management on whether feedback given to the auditor has been acted upon and, if not, the reasons why are clear. 	<p>DH- Auditor has always</p> <ul style="list-style-type: none"> • Responded and provided information as requested by the Audit Committee • Audit team always helpful in responding to management queries

C. THE ROLE OF MANAGEMENT

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Management's role	<ul style="list-style-type: none"> • Are key personnel available and accessible to the auditor when needed? • Is information requested by the auditor prepared on a timely basis, complete and accurate? • Are management's papers to the auditor and audit committee on key judgements, estimates and uncertainties well researched and written i.e., articulate the issue, approach used by management and rationale, alternatives considered and a clear final conclusion and recommendation? • Where possible, is management proactive in seeking early input from the auditor, e.g., on complex, unusual or sensitive transactions? • Does the audit timetable allow sufficient time for robust quality control and review processes to be applied by both management and the auditor? • Do management act on feedback provided by the auditor on financial reporting processes, and controls? 	<ul style="list-style-type: none"> • Delays in the audit process beyond the control of the auditor • Feedback from the auditor on availability and flexibility of key management personnel and timeliness and quality of information received. • Feedback from the auditor and audit committee on quality of management's papers on judgments, estimates and uncertainties and timeliness of involving the auditor. • Number of audit adjustments as a result of errors in information provided • Auditor's feedback on whether management implemented agreed upon actions from prior year management letters, assessments of the audit process or post audit debrief meetings. 	<p>DH</p> <ul style="list-style-type: none"> • EO is always available as required • Documentation file is provided to the Audit Team as well as unrestricted access to financial processes (MYOB) • Given the small scale of GRFMA the audit process is relatively straight forward.