

Audit - give it a go



Agenda

1 What is an audit

2 The importance of audit

3 The role of an auditor

4 Your tasks



1. What is an audit?

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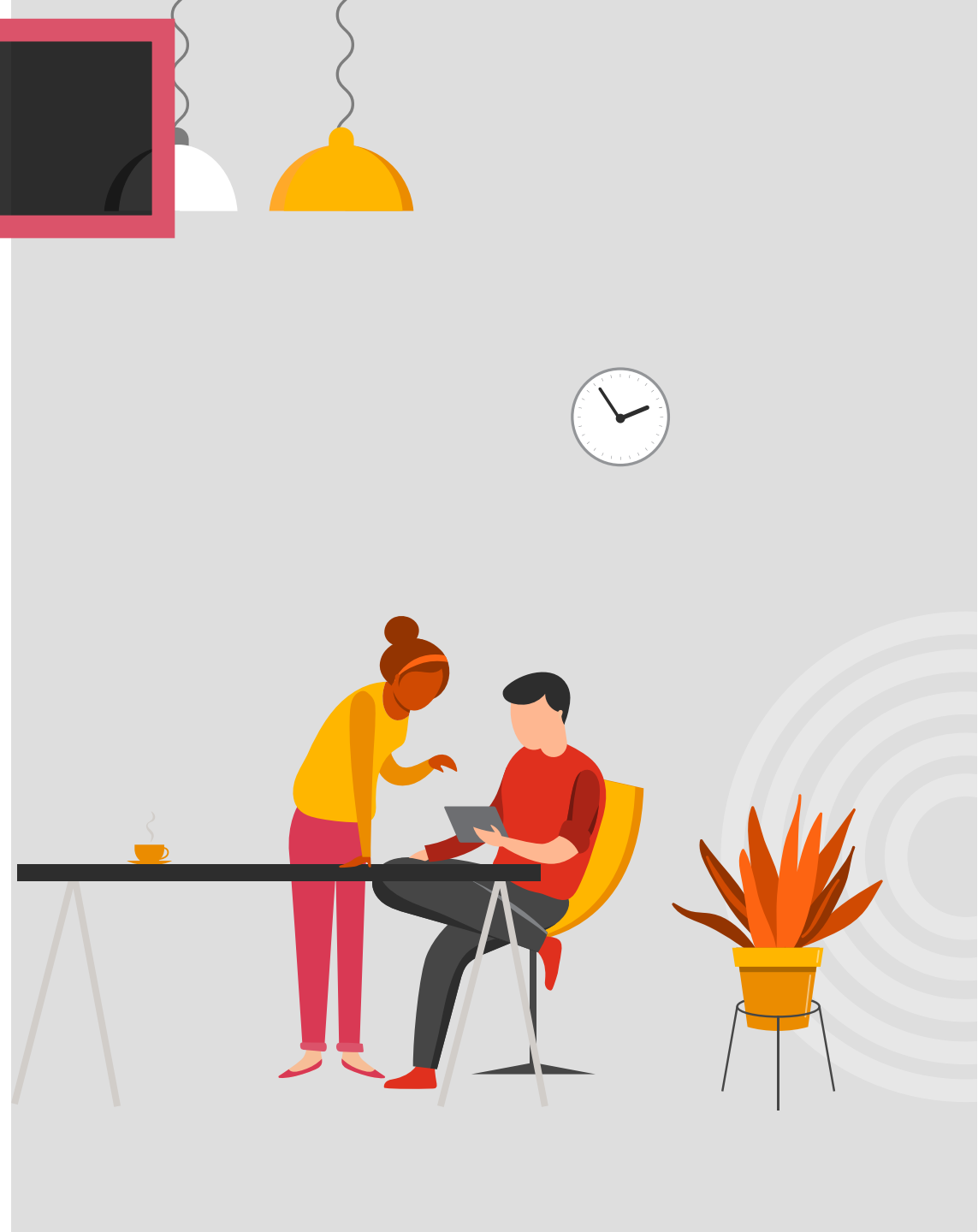
An audit is the examination of the financial report of an organisation - as presented in the annual report - by someone independent of that organisation.

Why do we audit?

The purpose of an audit is to form a view on whether the information presented in the financial report, taken as a whole, reflects the financial position of the organisation at a given date.

What does an auditor do?

An auditor completes a systematic and independent examination of a company's financial statements, which allows them to give an opinion as to the truth and fairness of those financial statements.



2. The importance of audit

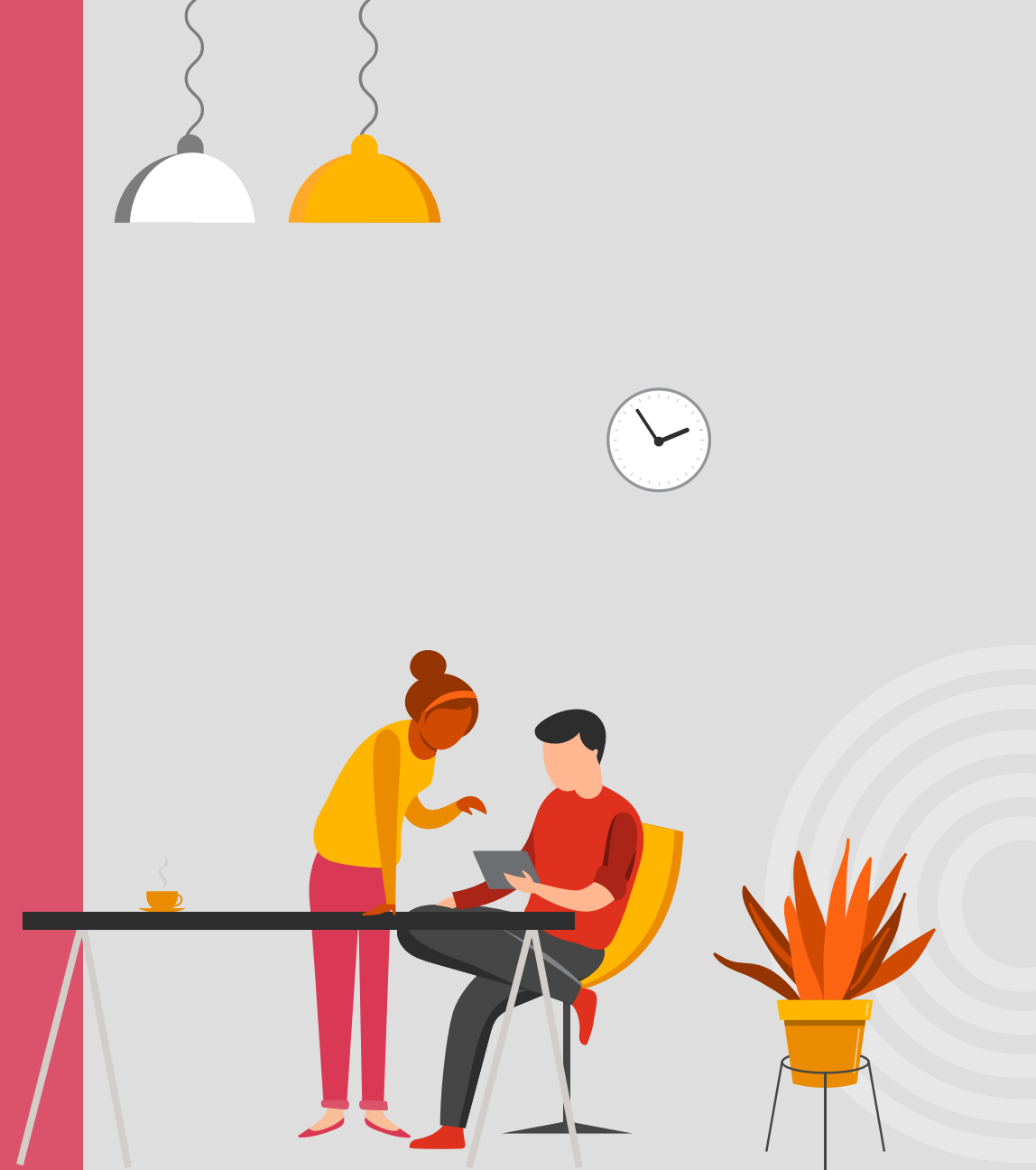
“Audit has a really important role in society, it allows us all to have confidence in the companies that we invest in”

Hemione Hudson, Head of Audit,
PwC UK

Why do companies require an auditor?

To ensure financial statements give a true and fair view in all material aspects.

- The directors of a company are often not the people who own the company.
- These shareholders want an independent review of the performance of the business.
- An audit is a statutory requirement under the Companies Act 2013.
- A 'clean' audit report gives confidence and adds credibility to the financial statements.



Who might read the results of an external audit?

INVESTORS

COMPETITORS

EMPLOYEES

GOVERNMENT

SHAREHOLDERS

REGULATORS

3. The role of an auditor

Investigate

Auditors look through everything from suppliers to bank records, and from company cars to staff lists, conducting a **systematic and independent examination** of a company's financial statements.

Provide assurance

Auditors give an opinion as to the **truth and fairness** of financial statements and provide reasonable assurance based on sample testing of the financial accounts.

Always learning

Auditors **learn about how businesses operate**. We look carefully at what took place in the 12 months of the most recent financial year and are also forward-looking, considering the business forecast and prospects.

Care

Above all, an auditor's work is **client focused**. We provide decision makers with information they can **trust** and give stakeholders and society confidence.

What does that mean practically?

1

Reviewing financial accounts and other numerical data

2

Selecting samples of data for testing

3

Identifying staff and conducting interviews with them about working practices

4

Updating the client on risks and errors, and advising on the action to take

5

Preparing and submitting clear and concise audit reports



An example - stock counts

Sampling and approach

- Usually auditors would **choose a sample** of stock to count, by obtaining a list of stock from the company.
- Typically the auditor would want to check the stock count in two ways:
 1. Check that everything in the warehouse is registered on the stock list; and
 2. Check that the items on the stock list exist in the warehouse.

Note: We also check the stock list agrees to their financial statements, but this is a different test that we aren't considering today.



Your tasks

Imagine you're joining a PwC Audit team as they work on an exciting new client. The client is a sustainable food supplier, whose vision is to sell fresh, healthy home cooked meals from their kitchen, nationwide.

Task one

Conduct some client research known as a **PESTLE analysis** so that we can better understand the client, the industry they work in and any wider issues that are impacting them.

Task two

Conduct a stock count and have a go at some audit procedures, looking at the client's records and considering risk.

Task three

Get ready to close the audit down. Reflect on everything you've seen, and come up with your own auditor's opinion by preparing an agenda for a clearance meeting with the client.

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Thank you