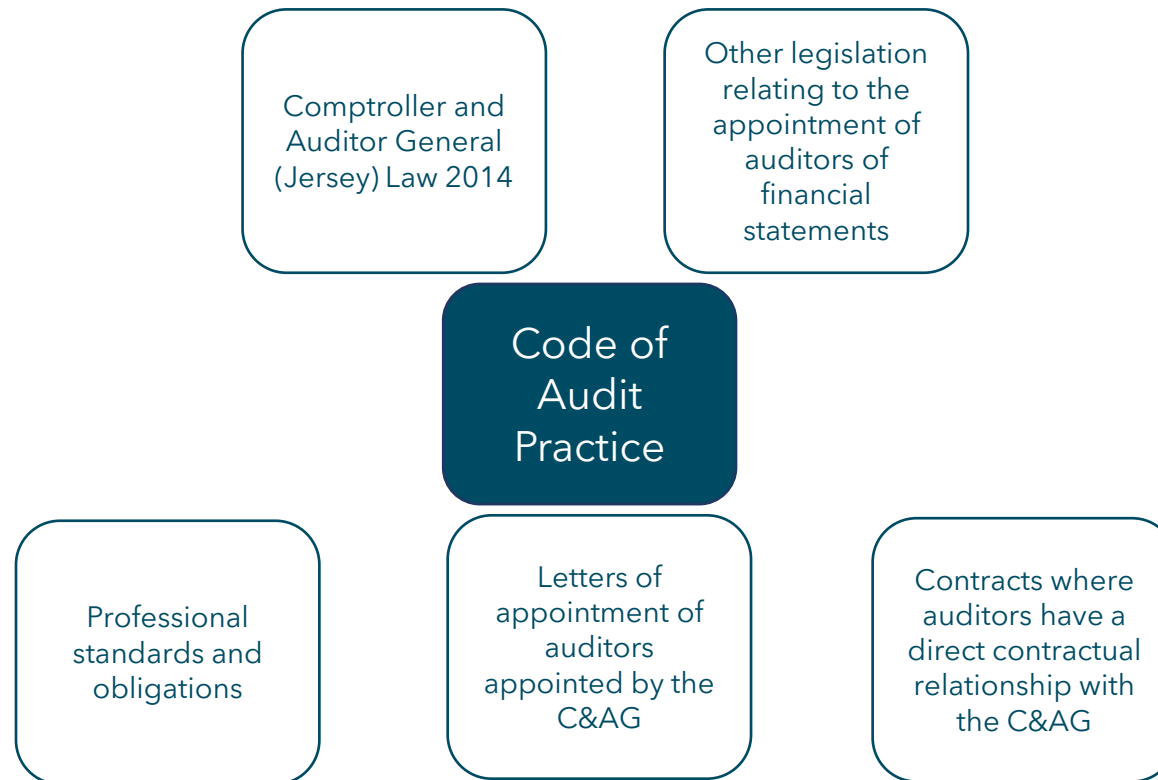


# Code of Audit Practice consultation

# What is the Code of Audit Practice?

Legislation prescribes **what** the C&AG and audit firms appointed by the C&AG shall and may do.

The Code of Audit Practice both explains those duties and powers and sets out **how** those functions should be performed.



# Contents of the Code (1)

The Code comprises eight sections

- introduction (Section 1)
- the general principles applying to public audit in Jersey (Section 2)
- work on the financial statements (Section 3)
- work on corporate governance, internal control and economy, efficiency and effectiveness (Section 4)
- follow up of previous external audit recommendations (Section 5)
- reporting the results of audit work (Section 6)
- liaison with others (Section 7); and
- other matters (Section 8).

# Contents of the Code (2)

And is supported by five appendices

- Summary of statutory powers and duties (Appendix 1)
- Auditors of financial statements appointed by C&AG (Appendix 2)
- Audit Quality Framework (Appendix 3)
- Summary of responsibilities of public bodies (Appendix 4)
- Glossary of terms (Appendix 4)

# Code of Audit Practice consultation

- Revised Code of Audit Practice consultation launched on 28 June 2023 with a closing date for comments of 8 September 2023.
- The consultation follows a review undertaken by the C&AG of the Code of Audit Practice against recognised best practice including:
  - principles and standards published by International Organisation of Supreme Audit Institutions (INTOSAI)
  - auditing, quality management and ethical standards issued by the UK's Financial Reporting Council (FRC)
  - the International Code of Ethics for Professional Accountants (published by The International Ethics Standards Board for Accountants) as adapted by professional accountancy bodies such as the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Public Finance Accountants; and
  - Statement of Recommended Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) (Practice Note 10) published by the Public Audit Forum.

# Code of Audit Practice consultation

Key proposed changes from the current Code of Audit Practice issued in November 2020 include the introduction of:

- explicit provisions regarding compliance with ethical, auditing and quality management standards
- explicit requirements for the C&AG to have regard to the effectiveness of internal audit and the risk of financial impropriety, fraud and corruption in planning her work
- a specific requirement for the C&AG to prepare an annual report of her findings; and
- explicit provisions relating to liaison by the C&AG with Jersey Regulatory Bodies.

The proposed revised Code of Audit Practice also includes a clarification of the professional and legal responsibilities of the C&AG, the Jersey Audit Office and auditors appointed by the C&AG in respect of transparency, confidentiality, data and records.

# Work on the financial statements (Section 3)

Section 3 covers the audit of financial statements undertaken by auditors appointed by the C&AG; and the duties and powers of the C&AG in relation to the audit of the financial statements of the States of Jersey.

The main proposed changes from the 2020 Code are:

- explicit provisions for all auditors appointed by the C&AG to:
  - comply with ethical, auditing and quality management standards applicable in the United Kingdom (the 2020 Code just refers to auditing standards)
  - ensure that audit team members who are professional accountants comply with the International Code of Ethics for Professional Accountants; and
  - provide to the C&AG in confidence, the results and supporting documentation in respect of engagement quality reviews performed in accordance with quality management standards; and
- a requirement for the auditor of the States of Jersey, in planning, performing and reporting their work on their regularity opinion, to develop and deliver a regularity strategy and plan.

# Work on corporate governance, internal control and economy, efficiency and effectiveness (Section 4)

The main proposed changes from the 2020 Code are:

- a general requirement for the C&AG to meet the requirements of INTOSAI principles and standards in respect of performance audit; and
- explicit requirements for the C&AG:
  - in planning their work to have regard to the effectiveness of internal audit and the risk of financial impropriety, fraud and corruption; and
  - in undertaking their work to draw conclusions based on independent professional judgement and sound and robust analysis.



# Reporting (Section 6)

The key proposed change is the requirement for the C&AG to prepare and submit an Annual Report of Findings in line with INTOSAI principles and standards. The C&AG would be required to prepare an Annual Report of Findings that:

- summarises the main issues arising from audit work undertaken and where appropriate, directs attention to the most significant weaknesses identified
- identifies themes, common findings, trends and root causes
- comments on overall audit outcomes; and
- considers and reports on the implementation of audit recommendations previously made and, where appropriate, makes further recommendations.

The C&AG would be required to submit the Annual Report of Findings:

- as a report made under Article 20 of the 2014 Law; and
- no later than 30 working days after the date on which the C&AG issues their certificate on the financial statements of the States of Jersey.

# Liaison (Section 7)

This section has been updated to reflect:

- the establishment of the non-ministerial departments audit committee
- the liaison between the C&AG and Jersey Regulatory Bodies. The proposed revision reflects the principles for liaison between the C&AG and Jersey Regulatory Bodies and exchange of information between organisations.
  - adoption of a proactive approach and offering mutual support while respecting the statutory roles and the independence of each organisation
  - open and transparent, sharing information where legally able to do so, to inform decision-making and to minimise risk
  - efficient and effective communication, including through robust lines of communication and a collaborative approach where appropriate; and
  - maintaining and enhancing confidence of Islanders and the States Assembly in each organisation.

# Other matters and appendices

Section 8 of the Code has been updated to clarify the professional and legal responsibilities of the C&AG, the JAO and auditors appointed by the C&AG in respect of transparency, confidentiality, data and records.

The most significant proposed change in the appendices relates to Appendix 3 - Audit Quality Framework.

The key changes to Appendix 3 are:

- the first level of the quality framework for gaining assurance about audit quality is now: 'Individuals and teams with the competencies, capabilities and commitment to ethical principles necessary for compliance with relevant standards.' Previously this was: 'appropriately trained and supported individuals and audit teams'
- additional requirements for the C&AG, in relation to the JAO, to:
  - assess as part of the procurement process the competencies, capabilities and commitment to ethical principles of the Deputy Comptroller and Auditor General and affiliates necessary for compliance with INTOSAI principles and standards
  - comply and require the Deputy Comptroller and Auditor General and affiliates of the JAO to comply with *ISSAI 130, Code of Ethics*
  - put in place a professional development strategy; and
  - ensure that they, the Deputy Comptroller and Auditor General and affiliates of the JAO only undertake work that they are competent to perform

# Other changes to Appendix 3

- additional requirements for the C&AG, in relation to auditors appointed by the C&AG, to:
  - evaluate as part of the procurement process whether the appointed auditor and the audit team have sufficient personnel with the competencies, capabilities and commitment to ethical principles necessary for compliance with relevant ethical, quality management and auditing standards; and
  - require the appointed auditor and their audit teams to comply with relevant ethical standards including:
    - the FRC ethical standard; and
    - for team members who are professional accountants, the International Code of Ethics for Professional Accountants (published by The International Ethics Standards Board for Accountants) as adapted by the relevant professional body
- the second level of the quality framework, organisation-wide arrangements for quality control, now requires the C&AG to establish appropriate arrangements for securing the quality of audit work in line with INTOSAI principles and standards

# Other changes to Appendix 3 (continued)

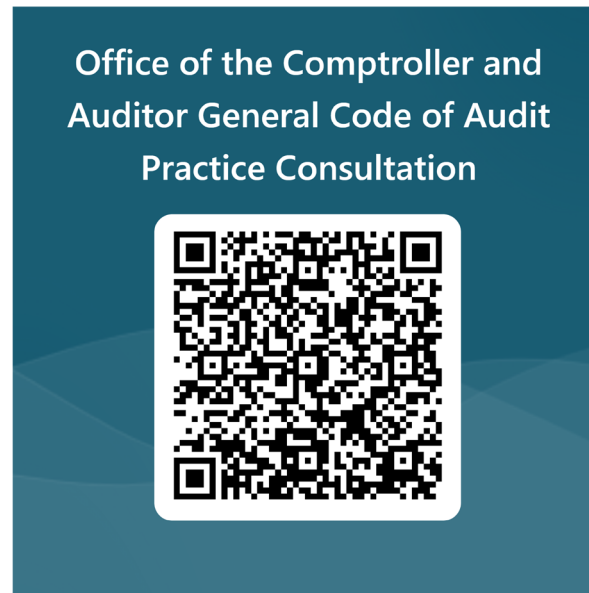
- in relation to the JAO, additional arrangements including:
  - publishing and monitoring compliance with a Code of Conduct that sets out how to interpret and apply *ISSAI 130, Code of Ethics*
  - a system of annual declaration of independence; and
  - establishing and implementing a consistent approach for planning, performing and reporting work on corporate governance, internal control and economy, efficiency and effectiveness that complies with INTOSAI principles and standards in respect of performance audit
- in relation to auditors appointed by the C&AG, additional arrangements including that the C&AG:
  - evaluates organisational arrangements for ensuring compliance with relevant ethical, quality management and auditing standards prior to making an appointment and annually during the audit appointment; and
  - requires annual confirmation that the appointed auditor and other members of the audit team continue to comply with relevant ethical standards; and
- the third level of the quality framework, independent audit assurance activity, now includes a requirement for the C&AG to periodically submit the JAO's operations to independent review, for example peer review, and report the findings to the Public Accounts Committee.

# How to respond to the consultation

The consultation closes on 8 September 2023.

The new Code will come into force for 2023 financial statements audits and, in all other respects from 1 January 2024.

For details on how to respond to the Code consultation visit [www.jerseyauditoffice.je](http://www.jerseyauditoffice.je)



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