The

Early Childhood Development Project

Audit Planning Report on the Audit of the Financial Statements for the six-month period ending September 30, 2018

REPORT TO THOSE CHARGED WITH GOVERNANCE
January 2019

TABLE OF CONTENTS

FINANCIAL STATEMENTS AUDIT PLAN **3**

What work will we complete? 3
How are we going to conduct the audit? 3
Risk based approach *3*
Our team 3

WHEN DO WE PLAN TO COMPLETE THIS WORK? **4**

Timetable 4

OUR AUDIT APPROACH **5**

Our assessment of materiality 5
Materiality *5*
Error reporting threshold *5*
Independence 5
Using the work of internal audit 5

APPENDIX 1 - SIGNIFICANT FINANCIAL STATEMENTS RISK **6**

Significant Risk 1: Presumed risk of Management override of controls. 7
Significant Risk 2: Ineligible Expenditure 8
Other risks 9

APPENDIX 2 - SCOPE AND RESPONSIBILITIES **10**

Financial Statements Audit Plan

What work will we complete?

Our audit, which will be conducted in accordance with auditing standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI), will enable the Auditor General (AG) to give an opinion on the financial statements of the Early Childhood Development project for the period ended September 28, 2018.

Further details of the scope of the audit, as well as our respective responsibilities in relation to this engagement, are given in Appendix 2: Scope and Responsibilities and have been set out in our Letter of Engagement dated July 20 2018.

How are we going to conduct the audit?

Risk based approach

We plan our audit of the financial statements to respond to the risks of material[1]:

- Misstatement of transactions and balances; and
- Irregular transactions[2].

The significant financial statements risks, which we have identified, are:

- The Financial Statements may be misstated due to some expenditure transactions not in compliance with the Loan Agreement.
- International auditing standards also require us to presume a risk of management override of controls. Further details of these risks and our responses are set out at Appendix 1.

Our team

The composition of the key audit staff who will complete this audit are:

- Richard Rose, Audit Principal
- Wendel Edwards, Director
- Arline Radway-Blake, Team Lead

[1] A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements. The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of the misstatement. Further information on materiality is included on page 5

[2] Irregular transactions are those, which are non-compliant with the regulations that govern them.

When do we plan to complete this work?

Timetable

The timetable comprises planning activities from January 14 to 18, 2019, fieldwork activities commencing January 22, 2019 for a total of two weeks and certification planned for the week commencing February 18, 2019. Further details are provided in the table below:

Date	Activity
14th - 18th January 2019	**Planning:** review ECC's operations, assess risk for our audit and evaluate the control framework.
21th January 2019	**Planning Report**
22nd January- -1st February 2019	**Fieldwork:** test expenditure, income, significant balances, and disclosures.
8th February 2019	**First Draft Audit completion report.**
6th February 2019	**Draft Financial Statements**
15th February 2019	**Board Members sign accounts**
20th February 2019	**Management Comments on Audit Completion Report Returned**
22th February 2019	**Certification:** seek representations from the Accounting Officer and AG issues opinion.

The completion of our audit in line with the timetable is dependent upon ECC:

- delivering completed financial statements of sufficient quality, which have been subjected to appropriate internal review on the date agreed;
- delivering good quality supporting evidence and explanations within the agreed timetable; and
- making staff available during the audit.

Our audit approach

Our assessment of materiality

Materiality

The concept of materiality recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity.

For the purposes of determining whether the financial statements are free from material misstatement or irregularity we consider whether:

1. The magnitude of misstatement; or

2. The nature and cause of misstatements (e.g. because of the sensitivity of specific disclosure or regularity requirements) would influence the users of the accounts.

In line with our internal standards and generally accepted practice, we have set our quantitative materiality threshold at approximately 0.5% of expenditure for ECDP, which equates to US$15,613.94.

Error reporting threshold

For reporting purposes, we will treat any misstatements below US$156 in the ECDP's accounts as "clearly trivial" and therefore not requiring consideration by those charged with governance.

Please note that this is a separate threshold to our consideration of materiality as described above. It is materiality, not the error-reporting threshold, which is used in forming our audit opinion.

Independence

The AuGD has policies and procedures in place to monitor and assure the quality of its financial audit work and ensure that any threats to its independence are identified and addressed. We have maintained our independence throughout the audit to date.

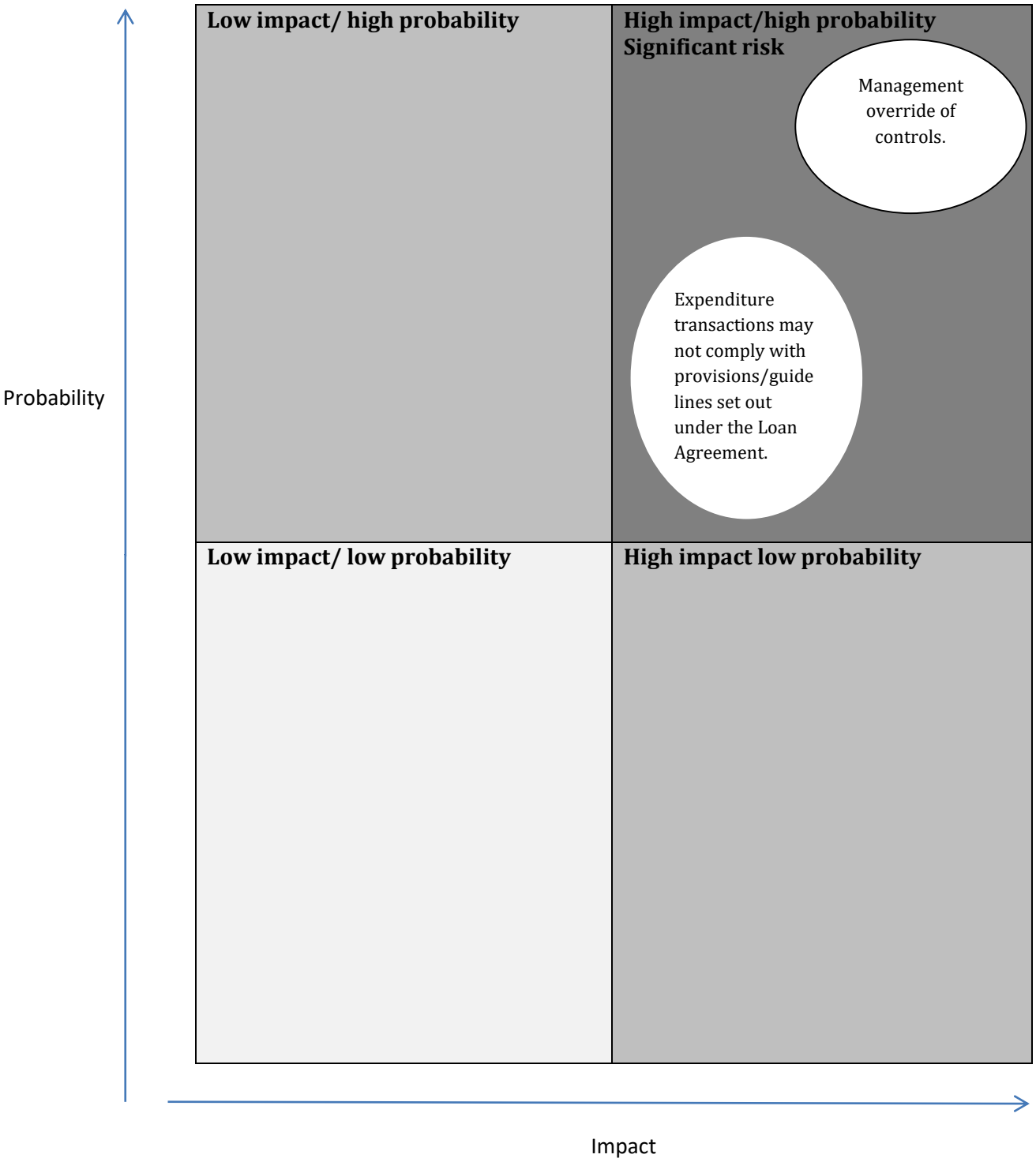
We will reconfirm our independence and objectivity to those charged with governance following the completion of the audit.

Using the work of internal audit

Our processes dictate that we liaise closely with internal audit through the audit process and seek to take assurance from their work where their objectives cover areas of joint interest. We will not place any reliance on internal audit because this position was vacant for a significant portion of the period under review.

Appendix 1 - Significant financial statements risk

We plan our audit of the financial statements to respond to the risks of material misstatements and material irregularity. We are required to perform additional audit work for the most significant risks. Our assessment of the level of risk for the particular issues we consider relevant to the financial statements is shown below.



Significant Risk 1: Presumed risk of Management override of controls.

Audit Area Affected	Key Factors
All areas of accounts	International Standards of Supreme Audit Institutions (ISSAIs) require us to presume that there is a risk of management override of controls at all entities. The standards require us to consider the risk of material misstatements resulting from inappropriate journal entries, transactions outside of the ordinary course of business, bias in and fraudulent revenue recognition. The risk relating to fraudulent revenue recognition is the only one of these risks, which may be rebutted.

AUDIT APPROACH	
Controls	**Substantive**
As the presumed risk is of management override of controls, we will not be seeking to place reliance on controls in this area.	We will undertake audit reviews of each area of risk including: a) A risk-based review of journals. b) Reviewing the accounting records for transactions outside the ordinary course of business/project.

Significant Risk 2: Ineligible Expenditure

Audit Area Affected	Key Factors
Project expenses	The Financial Statements may be misstated due to some expenditure items not in compliance with the provisions/guidelines under the Loan Agreement.

AUDIT APPROACH	
Control	**Substantive**
The Project's controls in place include supervisory checks and authorisation in the accounting and operational/procurement process. This is an inherent risk in externally funded project audits and we will therefore not rely on internal controls. Our approach will be purely substantive.	We will perform standard audit procedures, which include review of the financial statements and completion of the disclosure checklist. We will increase the level of substantive testing in the areas that we perceive to pose the greatest risk of misstatement.

Other risks

There are no other significant risks, which, at the time of planning the audit, we consider to present a risk of material misstatement to the financial statements. We will continue our review throughout the audit and, if any other risks are identified, increases or materialise we will adjust our audit approach accordingly.

Appendix 2 - Scope and Responsibilities

In line with INTOSAI standards, we are required to agree the respective responsibilities of the Auditor General/Auditor General's Department and the Accounting Officer/Client, making clear that the audit of the financial statements does not relieve management or those charged with governance of their responsibilities. These responsibilities are set out in the Letter of Engagement dated July 20, 2018, and are summarised here.

Area	Accounting Officer/management responsibilities	Our responsibilities as auditor
Scope of the audit	• Prepare financial statements in accordance with IPSAS that give a true and fair view of the financial affairs of the Project. • Process all relevant General Ledger transactions and make these, and the trial balance, available for audit. • Support any amendments made to the Trial Balance after the close of the books (after discussing with the AuGD). • Identify and action all journal entries required in the preparation of the financial statements including those resulting from our audit • Provide access to documentation supporting the figures and disclosures within the financial statements. • Subject the draft account to appropriate management review prior to presentation for audit.	• Conduct our audit in accordance with International Standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI). • Report if the financial statements do not, in any material respect, give a true and fair view.
Regularity	• Ensure the regularity of financial transactions. • Obtain assurance that transactions are in accordance with appropriate authorities, including the organisation's statutory framework and other	• Conduct our audit of regularity. • Confirm the assurances obtained by the Early Childhood Commission that transactions are in

Area	Accounting Officer/management responsibilities	Our responsibilities as auditor
	requirements of Parliament and the Ministry of Finance.	accordance with authorities. • Have regard to the concept of propriety, i.e. Parliament's intentions as to how public business should be conducted.
Fraud	• Primary responsibility for the prevention and detection of fraud. • Establish a sound system of internal control designed to manage the risks facing the organisation; including the risk of fraud.	• Provide reasonable assurance that the financial statements (as a whole) are free from material misstatement, whether caused by fraud or error. • Make inquiries of those charged with governance in respect of your oversight responsibility.