

# Audit of Government Consolidated Financial Statements

Brasilia 7th June 2017

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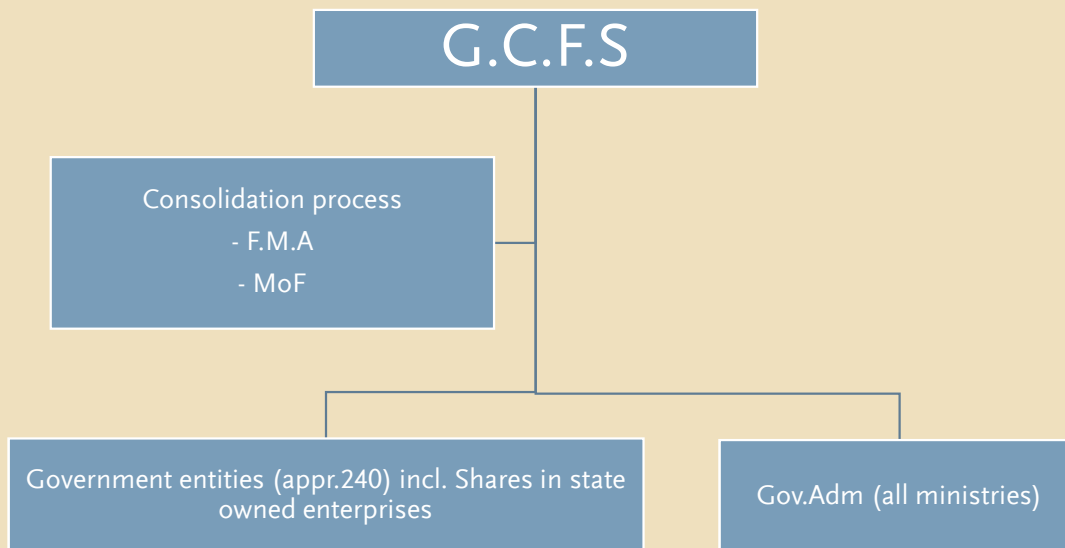


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# Introduction

- › SNAO mandate: *Audit the Governmental Consolidated financial statements and give an opinion on whether the statements give a true and fair view.*
- › State level
- › 15th of April
- › 1997 (1993/94)
- › Balance sheet, income statement, cash flow, disclosures
- › Group Audit approach ISSAI 1600

# Structure of G.C.F.S



## Prerequisites

- › SNAO is the group auditor and component auditor
- *Evaluation of the general competences of component auditors – the group auditor relies on the decision on competence made by the SNAO when appointing the component auditor*
- *One common quality control system is applied for all component auditors*
- *Common ethical rules and regulations*
- *Group auditor has access to all data*

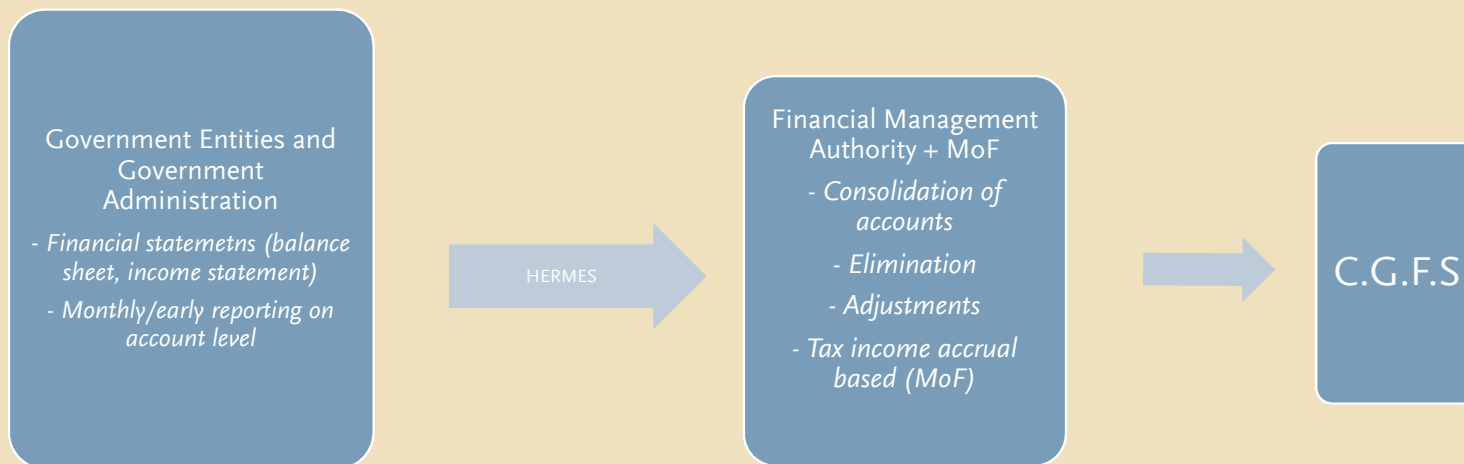
## Planning phase

- › Audit plan based on risk for material misstatement
- › ISA 600
- › Identify the significant components:
  - *Quantitative perspective on balance sheet account/income statement account level, highest monetary impact.*
  - *Approx 10-12 entities*
  - *Covers approx 75-80% of the balance sheet and income statement*

> Analytical review of the other components:

- *identify those that don't qualify as significant but could have a monetary impact on specific transactions or*
- *includes complex estimates*
- *(approx 30 entities)*

- > Evaluate the Group Environment and effects on the risk
- > Consolidation process



## Audit procedures

- › Significant components (approx 10-12)
  - *Involvement in the planning phase*
  - *Dialogue with the component auditor*
  - *Review of the audit results and evidence by the end of the year*
  - *A format sent to the component auditors*
  
- › Specific significant components (on account level, approx 30)
  - *A format sent to component auditors*
  - *No other involvement if not necessary*



- > Analytical review – other components
  
- > Consolidation process
  - *Technical aspects – controls for transferring information from financial data reporting system Hermes to the consolidation system Frango*
  - > *Substantial procedures – check the financial statements presented by the government authorities with how their accounts has been transferred into the consolidation process*
  
- > Manual adjustments and estimates – taxes.

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## Reporting

- › The audit report with the opinion – 4 weeks after the GCFS is presented to the parliament
- › Signed by the Group auditor
- › Cover letter sent with the audit report signed by AG
- › Long report (Management letter if needed)

## Specific Questions

### > **Use of internal auditors or other services for assertion?**

- *Internal auditors are not used, when auditing the consolidated financial statements, if relevant only on component level.*

### > **Experience in implementation and challenges?**

- *Audit of all components our base, long tradition*

- *Audit of consolidated statements only since 1998*

- *ISSAI 1600 since 2010*

- *Audit of the taxes – accrual based principles (part of consolidation process – calculation by the Min of Finance), accounting estimates*

- *Financial reporting framework*

› **How is the operational continuity issue dealt with (going concern)?**

- *No aspect of fiscal sustainability (difference btw a company and a state – possibility of bankruptcy)*
- *Swedish economy – solid*

› **Size of the team**

- *The group auditor and 4-5 team-members.*