

## ***What is An Audit***

### **Types of audits**

The most common types of CCG audits are Financial, Compliance and Performance audits.

Financial audit embraces:

- Attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinions on financial statements;
- Attestation of financial accountability of the government administration as a whole;
- Audit of financial systems and transactions, including an evaluation of compliance statutes and regulations;
- Audit of internal control and internal audit functions;
- Audit of the probity and propriety of administrative decisions taken within the audited entity; and
- Reporting of any other matters arising from or relating to the audit that the CCG considers necessary to disclose.

As part of the Financial audits, CCG expresses opinions as to whether the financial statements fairly present the financial position and financial results of the entity.

A Compliance Audit is a study and analysis of the legality and purposefulness of the expenditure and usage of public funds and public assets.

The goal of performance audits is to provide information on efficiency of utilization of the State and local government resources and management of property. During performance audits the auditors examine economy, efficiency and effectiveness of the audited entities.

- Audit of the economy of administration in accordance with sound administrative principles and practices, and management policies;
- Audit of the efficiency of utilisation of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and
- Audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact.

### **Audit Stages**

During the audits the following stages are observed:

- **Audit planning stage**, during which such audit approach is developed, which ensures collection of corresponding, sufficient and credible audit evidence in order to provide opinion on the financial statement. During this stage audit plan and detailed audit program is developed. Distribution of work among the members of the audit working group is done and time resources are defined. In the audit planning stage the auditor acquires understanding on activities and according internal control systems of the audited entity, as well as establishes materiality level and identifies significant risks. The audit planning process of the CCG ensures unified approach, which provides that audits are performed in accordance with the same auditing standards and reach the determined audit assurance level (98%);
- **The audit evidence collection stage**, during which corresponding, sufficient and credible audit evidence is collected and summarized, in order to provide an audit opinion. The audit evidence may be collected using different methods and audit procedures (control procedures inspection, detailed inspections and relying on the work of the qualified auditors);
- **Audit conclusion stage**, during which the achieved results are assessed, findings are summarized, conclusions are made, recommendations for elimination of detected deficiencies are prepared, as well as audit report is developed and approved and opinion is provided.

**The Chamber of Control of Georgia** conducts the audit process in accordance with International Standards of Supreme Audit Institutions (ISSAIs), within the framework of which it will perform risk based audits. Audit assurance model adopted by CCG will assume 2% detection risk, i.e. the likelihood that a material misstatement relating to an assertion will not be detected by the auditor will not exceed 2%

*The State Audit Office may provide the following audit opinions:*

- Unqualified audit opinion is given if the auditor concludes that the financial statements in all significant aspects provide true and fair view in accordance with the requirements set for financial statements and in the framework of which auditors assess correspondance of transactions and activities of the audited entities to the regulatory enactments and planned results.
- Qualified audit opinion is given if the auditor concludes that unqualified opinion cannot be provided or if disagreement with the management of the audited entity or limitations of the audit volume are not of such significance and do not have such deep impact on financial statement in order to provide adverse audit opinion or disclaimer of giving audit opinion;
- Adverse audit opinion is given if the auditor concludes that impact of disagreement on financial statements is so significant that qualified audit opinion cannot be provided in order to explain misleading or incomplete nature of the financial statements;
- Disclaimer of giving audit opinion is given if the result of audit compency restriction is so significant and has such influence, that auditor could no have acquired sufficient amount of adequate audit evidence and therefore cannot give the opinion on financial statements.

### **Audit Quality Control**

The objective of quality control is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that:

- The audit complies with professional standards and applicable legal and regulatory requirements; and
- The auditor's report issued is appropriate in the circumstances.

### **Audited entities:**

In order to achieve objectives set out by the Constitution of Georgia and "the Georgian Law on the Chamber of Control of Georgia", the CCG examines:

- The spending and execution of the State Budget of Georgia, the budgets of the autonomous republics and the budgets of local government bodies;
- The accuracy and legitimacy of revenues and expenditures of draft State Budget and the draft budgets of the autonomous republics;
- The establishment and management of the State Debt and the issuance of public loans;
- The activity of the National Bank of Georgia within the terms of reference established by Georgian legislation;
- The legitimacy of the public fund cash flow at the National Bank of Georgia and credit and financial institutions registered in Georgia;
- The financial and economic activity of the Diplomatic Service of Georgia;
- The expenditure and usage of the funds and assets of a legal person of public law and a legal person of private law in which the State has a share of more than 50 percent;
- The efficient management of State, autonomous republic and municipal property;
- The correct undertaking and fulfilment of the contractual liabilities and loans of an entity of private law which are under State guarantee.