Maximizing Value Through Effective Audit Communication: A Guide for Trustees and SMT



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CONTENTS

Executive Summary & Roadmap 3

1.0 Introduction: From Compliance to Strategic Insight ting 4

The Strategic Importance of Audit Communication 5

1.1 Context and Strategic Importance 5

1.2 Beyond Compliance: Why Communication is Legally and Professionally Mandated 5

1.3 Establishing Clarity: The Role of the Engagement Letter 5

2.0 A Practical Guide to the Three Stages of Audit Communication 7

2.1 Context and Strategic Importance 7

2.2 Stage 1: The Planning Phase – Laying the Foundation for Success 7

2.3 Stage 2: The Execution Phase – Maintaining an Open Dialogue 9

2.4 Stage 3: The Completion Phase – Delivering Key Insights and Assurances 10

2.4.1 Decoding the Letter to Those Charged with Governance (LTCWG) 12

3.0 Common Pitfalls and How to Avoid Them 14

3.1 Context and Strategic Importance 14

3.2 Analysis of Common Weaknesses 14

4.0 A Roadmap for Enhancing Audit Communication 15

4.1 Context and Strategic Importance 15

4.2 A Practical Checklist for Your Board and SMT 15

5.0 Summary: Transforming the Audit into a Strategic Asset 17

5.1 Final Synthesis 17

10.0 About WDA 18

EXECUTIVE SUMMARY & ROADMAP

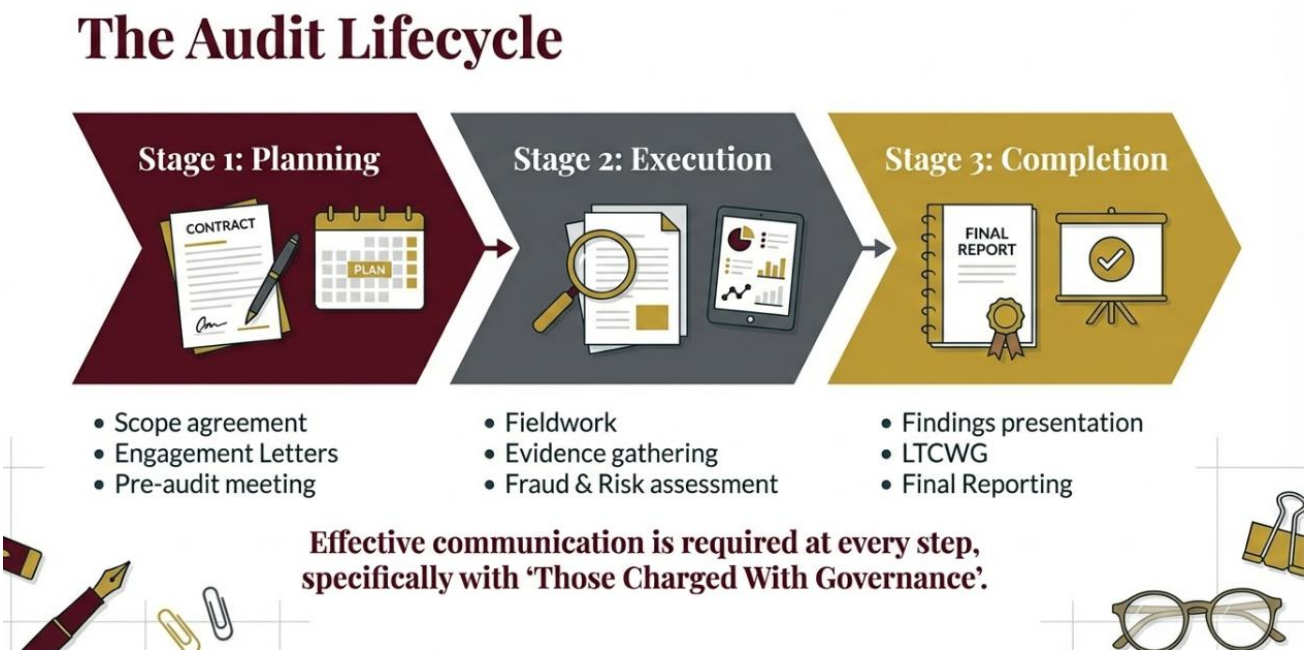


1.0 INTRODUCTION: FROM COMPLIANCE TO STRATEGIC INSIGHT

As the busy audit season for many charities and Companies Limited by Guarantee (CLG) gets underway between January to June each year, we at Whelan Dowling & Associates (WDA) have prepared this guide to help enhance the audit experience for Boards of Trustees, Senior Management Teams (SMT), and CEOs.

The core purpose of this document is to clarify the depth and strategic value of the audit communication process—a critical aspect of the engagement that is often misunderstood or underutilized. While achieving a clean audit opinion is a universal and important goal, the true, lasting value of an audit lies in the insights shared between your organization and your audit team. This dialogue is not discretionary; it is mandated by professional standards and is uniquely valuable due to the auditor's independent and objective position.

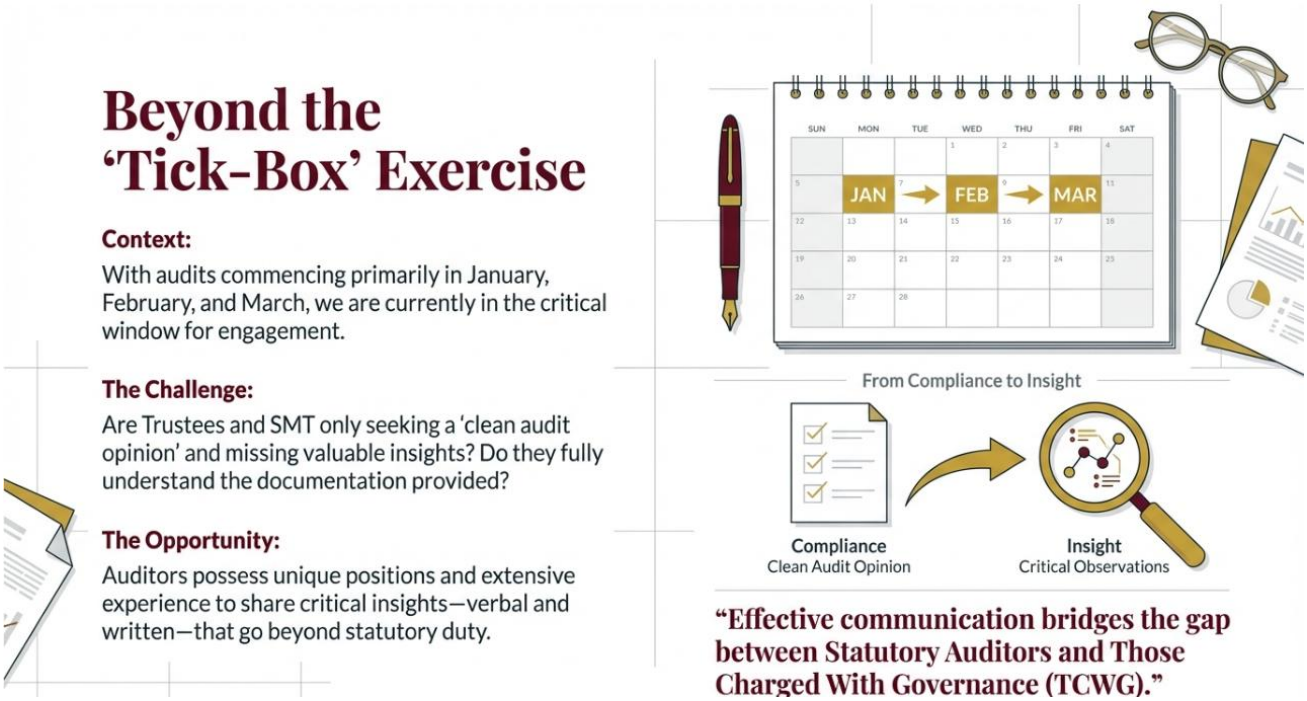
This guide provides a practical roadmap for understanding and leveraging auditor communications. By engaging proactively in this structured process, you can transform the annual audit from a simple compliance exercise into a powerful tool for strengthening governance, refining internal controls, and enhancing overall organizational effectiveness.



The Strategic Importance of Audit Communication

1.1 Context and Strategic Importance

Understanding the principles of audit communication is strategically critical for the effective governance of any charity or CLG. This communication is not merely procedural; it is the foundation of a healthy, transparent relationship between your organization and its independent auditor. A robust communication process ensures accountability, facilitates continuous improvement, and provides your Board with the assurance it needs to confidently oversee the organization's mission and financial stewardship.



1.2 Beyond Compliance: Why Communication is Legally and Professionally Mandated

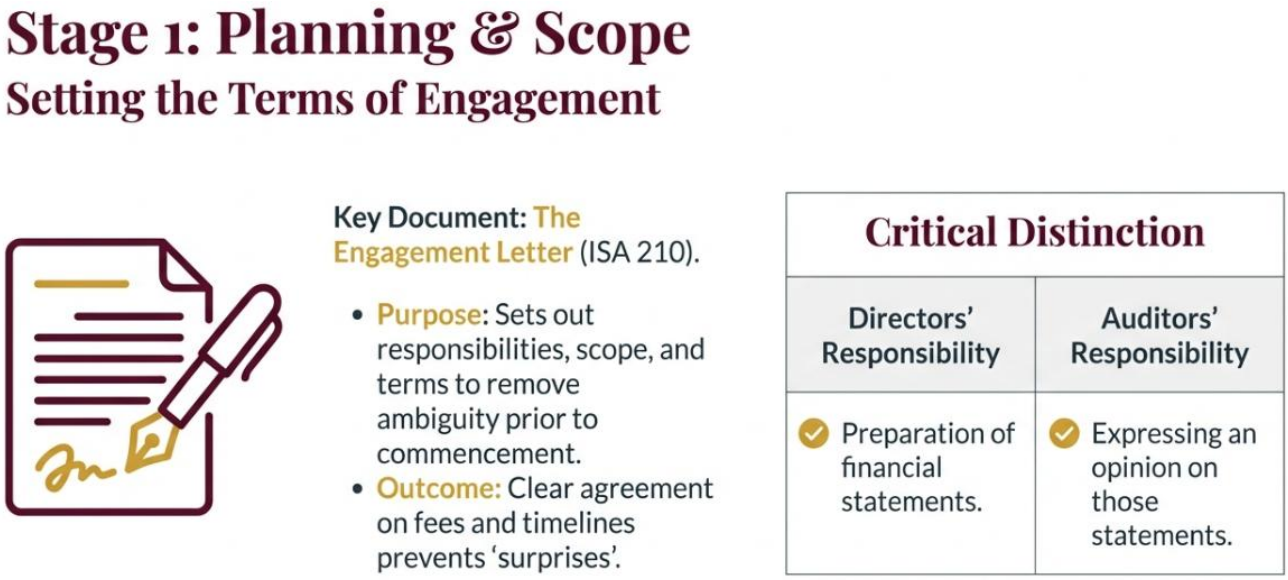
Robust communication is a non-negotiable professional duty for auditors, governed by a comprehensive set of rules known as the International Standards on Auditing (ISAs).

The cornerstone of this framework is **ISA (Ireland) 260, *Communication with Those Charged with Governance***. This standard explicitly requires a structured, two-way dialogue throughout the audit, ensuring that information flows not just from the client to the auditor, but also from the auditor back to the Board.

Furthermore, other specific standards underscore the seriousness of these communications. For example, **ISA (Ireland) 265, *Communicating Deficiencies in Internal Control***, mandates the formal written reporting of any significant issues identified in your control systems. These standards exist to ensure that the Board of Trustees receives the necessary information to fulfil its vital oversight responsibilities effectively and without ambiguity.

1.3 Establishing Clarity: The Role of the Engagement Letter

The **Engagement Letter** is the first and most fundamental piece of formal communication in the audit process. Its primary function is to establish a clear and mutual understanding of the respective responsibilities of the auditor and the Board of Trustees (referred to in the standards as *Those Charged with Governance*).



This document sets out the scope of the audit, its terms and conditions, and a clear demarcation of duties, thereby preventing misunderstandings or expectation gaps before the audit even commences. The table below, based on the principles outlined in auditing standards like ISA (Ireland) 700, contrasts these key responsibilities.

The Board's Responsibilities	The Auditor's Responsibilities
Preparing financial statements that give a true and fair view.	Forming and expressing an independent opinion on the financial statements.
Designing and maintaining a system of internal control to ensure financial information is reliable and assets are safeguarded.	Obtaining an understanding of internal control in order to design appropriate audit procedures.
Assessing the entity's ability to continue as a going concern and ensuring the appropriateness of this accounting basis.	Concluding on the appropriateness of management's use of the going concern basis of accounting.

1.4 Section Conclusion

With these foundational principles established, we can now explore how they are applied in practice across the distinct stages of the audit journey.

2.0 A PRACTICAL GUIDE TO THE THREE STAGES OF AUDIT COMMUNICATION

2.1 Context and Strategic Importance

The audit process is best understood as a structured journey with three distinct stages: Planning, Execution, and Completion. Each stage has specific communication requirements and objectives designed to ensure a smooth, efficient, and valuable audit. Engaging fully at each stage is key to maximizing the return on your investment in the audit.

2.2 Stage 1: The Planning Phase – Laying the Foundation for Success

The objective of the planning phase is to agree on the audit's scope, establish a clear timetable, and manage expectations for both the client and the audit team. Effective communication here prevents delays and surprises later in the process.

One of the most underrated yet critically important events in the entire process is the **Pre-Audit Meeting**. This is far more than a formality; it is an open dialogue where the auditor explains the "why" behind certain procedures and gains unique insights from management and the Board that can help refine the audit plan for maximum efficiency and relevance.



The key communications and documents of this phase include:

1. **The Engagement Letter:** As detailed in Section 1.3, this legally binding document sets out the terms of the engagement and the mutual responsibilities of the Board and the auditor.
2. **The Pre-Audit Meeting:** This meeting provides a forum to discuss the upcoming audit, circulate an agenda, and establish a professional rapport. It is a key opportunity for the auditor to ask questions that refine the audit plan and for the Board to raise any areas of specific concern.
3. **The Audit Plan & Timetable:** This formal document outlines the agreed-upon schedule for fieldwork, key deadlines, and meeting dates. It keeps the process on track and ensures alignment with your organization's reporting deadlines (e.g., for AGMs or funder reports).

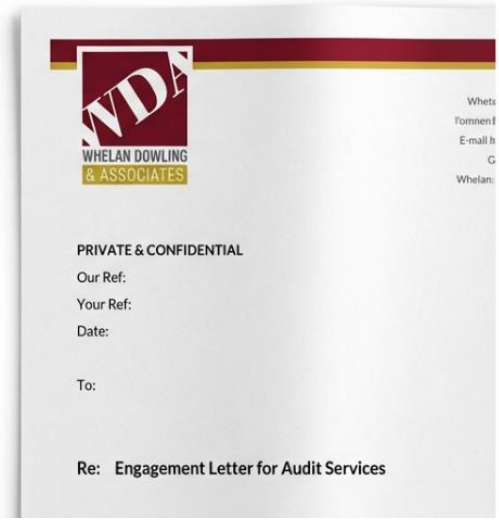
4. **The Documentation Request List:** This is a specific, tailored list of financial records, board minutes, contracts, and other information required to conduct the audit. It should be aligned with the audit plan and provided in a timely manner to facilitate efficient fieldwork.
5. **Third-Party Confirmation Requests:** These are formal letters sent to external parties like banks and solicitors to independently verify key information. For example, we send a formal letter directly to your organization's solicitors, which the Board must approve, to independently confirm their assessment of any pending litigation, unbilled legal fees, or other contingent liabilities. This external verification is a critical procedure for ensuring that potential future obligations are properly accounted for or disclosed in the financial statements.

Eliminating ambiguity prior to commencement.

- **The Engagement Letter (ISA 210)**
- The foundational contract issued for Trustee review.
- Clearly sets out responsibilities of both parties.
- Defines the scope of the audit and terms/conditions.

Why it Matters:

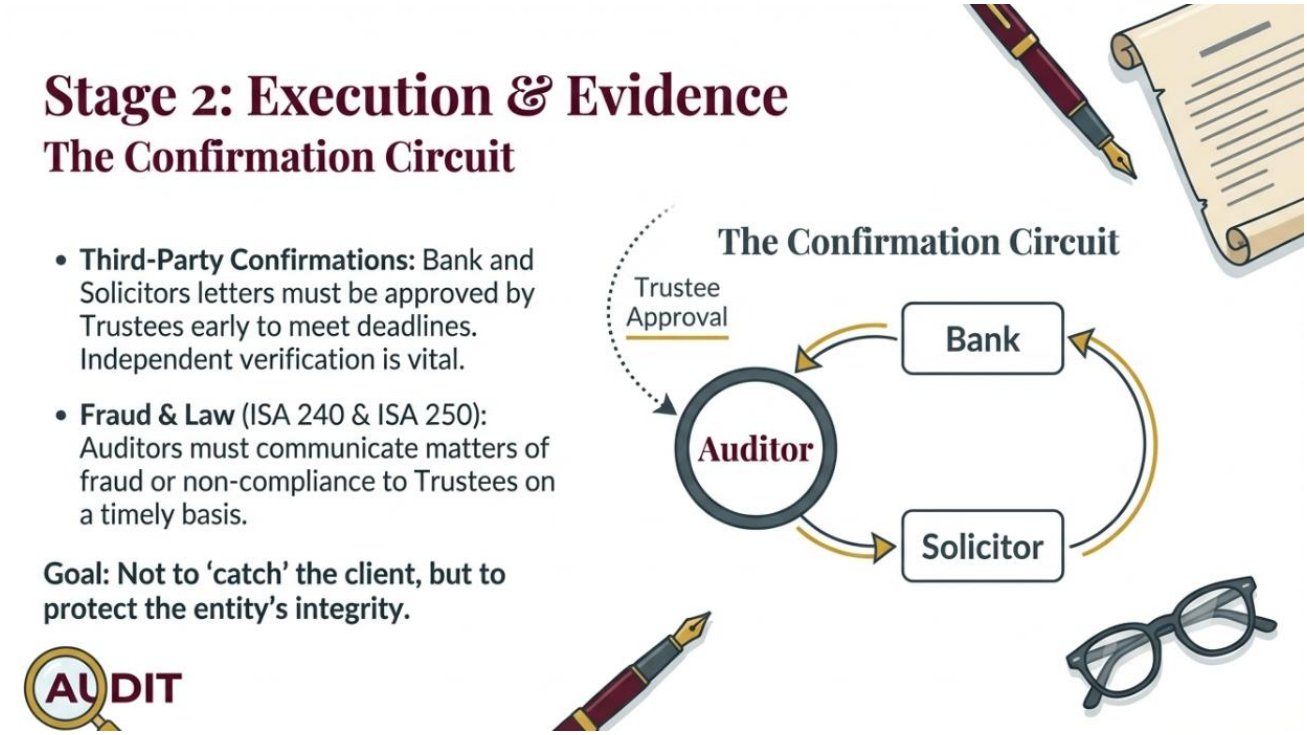
Ensures the Charity understands their role in providing access to information and maintaining internal controls.



2.3 Stage 2: The Execution Phase – Maintaining an Open Dialogue

The execution phase, or "fieldwork," is where the auditor performs the planned procedures. Communication during this stage is focused on providing timely updates on progress and, crucially, on any significant matters that are uncovered.

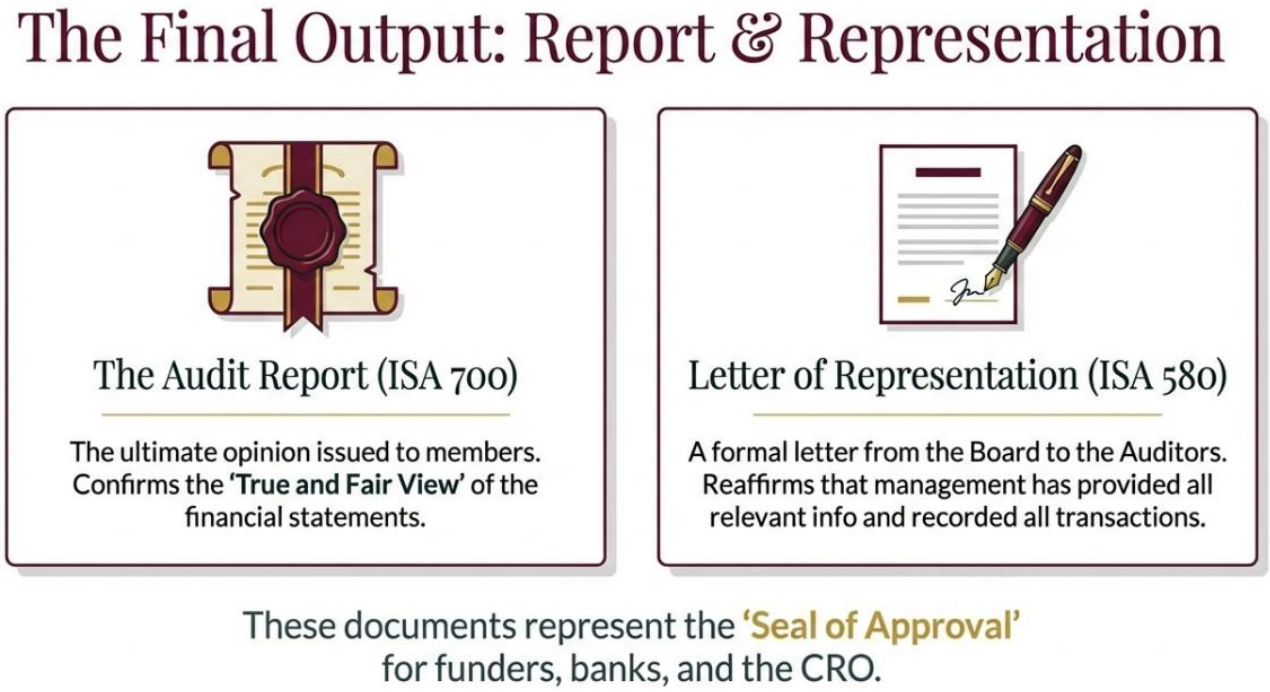
Auditors have a professional obligation to communicate significant issues promptly, rather than waiting until the end of the audit. This "no surprises" approach allows the Board and SMT to take timely remedial action. Key examples of issues that require immediate communication under International Standards on Auditing include:



- **Discovery of Fraud or Suspected Fraud:** Under **ISA (Ireland) 240**, any instance of fraud or suspected fraud identified during the audit must be communicated to the appropriate level of management and Those Charged with Governance.
- **Identification of Significant Deficiencies in Internal Control:** Under **ISA (Ireland) 265**, if the auditor identifies a weakness in the control system that is deemed significant, this must be communicated in writing to the Board on a timely basis.
- **Significant Difficulties Encountered:** We are required to inform you of significant challenges faced during the audit, such as unreasonable delays in providing information, the unavailability of expected records, or any restrictions placed on our work by management. This highlights the importance of your team's cooperation for a timely and efficient audit.
- **Doubts Regarding Going Concern:** If we identify events or conditions that may cast significant doubt on the organization's ability to continue as a going concern, as per **ISA (Ireland) 570**, this must be communicated immediately. This is one of the most critical issues for any Board to consider.

2.4 Stage 3: The Completion Phase – Delivering Key Insights and Assurances

The completion phase is the culmination of the audit, where the auditor formally presents their findings, conclusions, and the final audit opinion. This is done through a combination of verbal and written communications, providing the Board with comprehensive assurance.



The three primary communication outputs of this stage are:

- **A verbal presentation** of the key findings at a completion meeting with the Trustees, typically guided by a structured agenda.
- **The formal Audit Report**, which contains the auditor's opinion on the financial statements. This report is governed by **ISA (Ireland) 700** and is a public document included within the final signed financial statements.
- **The Letter to Those Charged with Governance (LTCWG)**, a confidential and vital piece of audit assurance that warrants detailed study and discussion by the Trustees.

Stage 3: Completion & Findings

The Closing Meeting Agenda

- ✓ 1. Verbal Presentation of Findings
- ✓ 2. Structured Agenda Review
- ✓ 3. Uncorrected Misstatements (ISA 450) Discussion

Review of errors identified but not fixed. Are they material individually or in aggregate? Trustees must understand why these remain uncorrected.



Verbal Communication

The Closing Meeting

A presentation to Trustees using a structured agenda to walk through the audit journey.

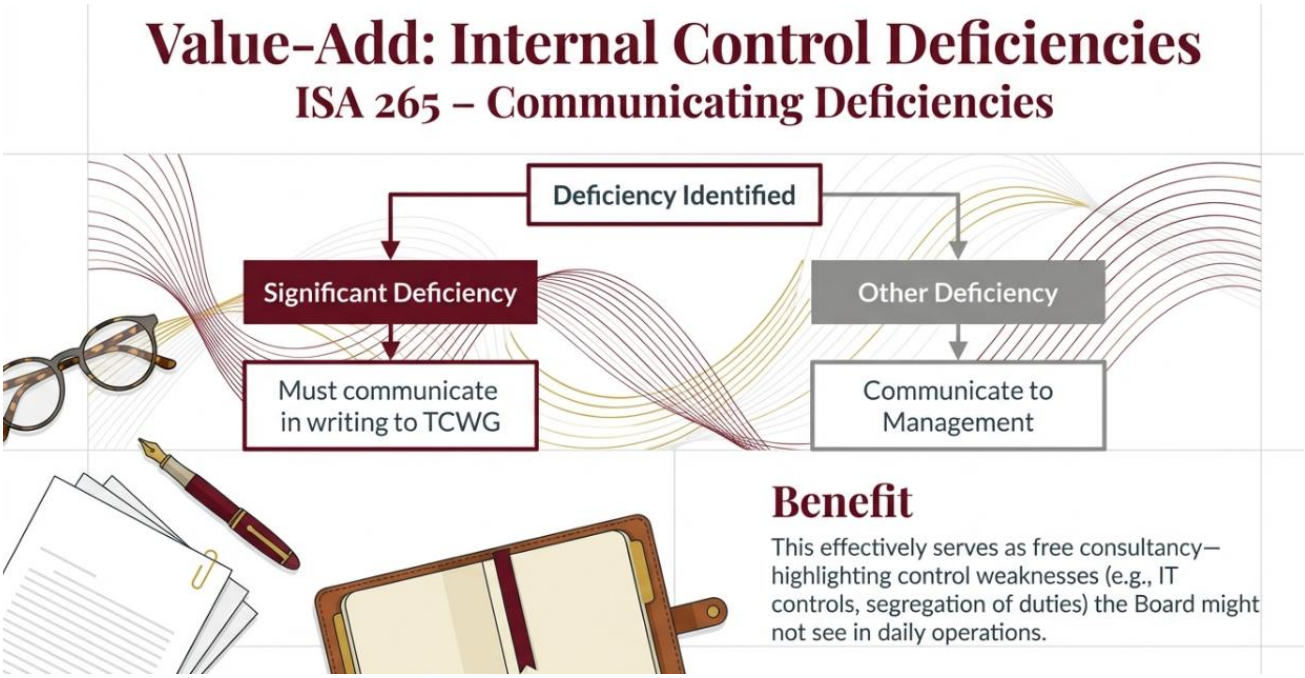
Written Communication

The Outputs

1. The Audit Report: Public assurance within financial statements.
2. Letter to Those Charged with Governance (LTCWG): Private, detailed assurance.

2.4.1 Decoding the Letter to Those Charged with Governance (LTCWG)

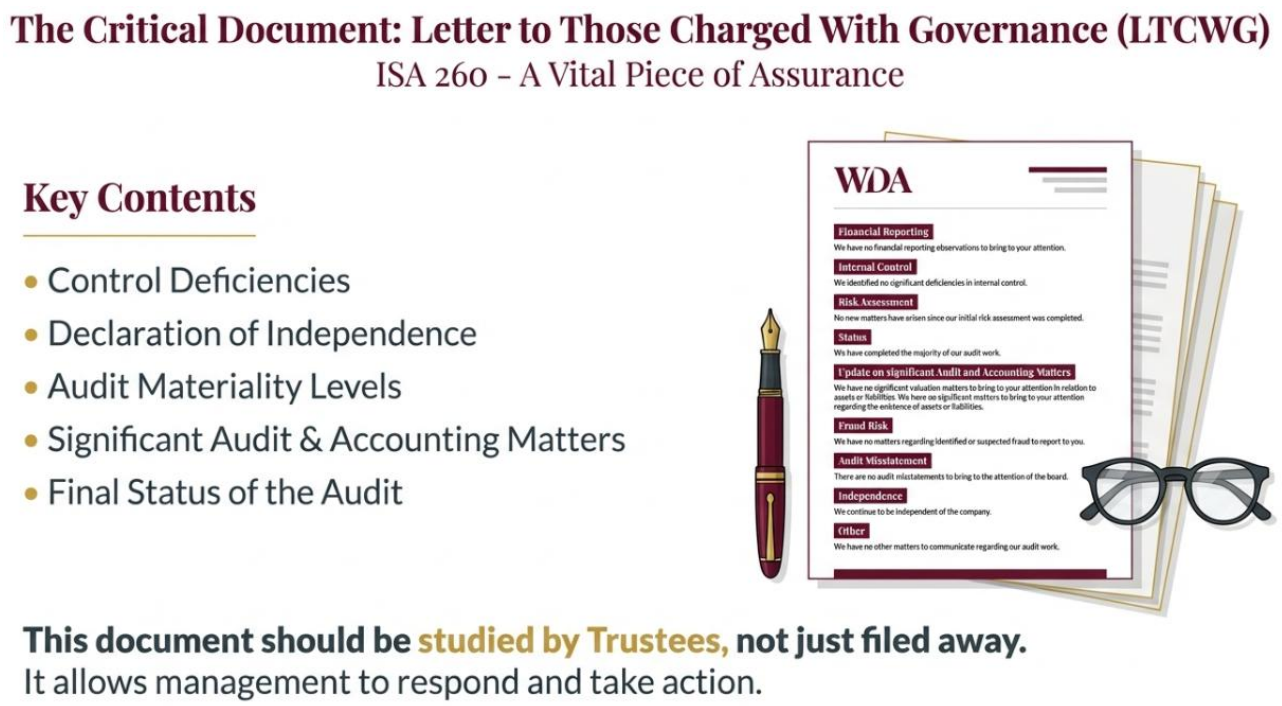
Arguably the single most valuable document produced during the audit for governance purposes, the LTCWG is prepared based on the requirements of **ISA (Ireland) 260** and **ISA (Ireland) 265**. Its purpose is to formally and confidentially communicate significant findings from the audit directly to the Board, providing insights that go far beyond the public-facing audit opinion.



For a Trustee, each component of the LTCWG provides critical governance information:

- **Internal Control Observations:** This is a direct, independent assessment of your organization's risk management framework. A summary of **control deficiencies** highlights weaknesses that could expose the organization to financial loss or misstatement, allowing the Board to oversee corrective action.
- **Significant Audit & Accounting Matters:** This provides the Board with a window into management's most complex judgments. We provide our views on significant **accounting policies, estimates, and disclosures**, including any instances where a practice, while compliant, may not be the most appropriate. This helps the Board ensure that the financial statements are not just technically correct, but also present the most faithful picture of the organization's performance.
- **Audit Differences:** This schedule is a direct measure of management's judgments. It tells the Board what errors we found that management, for various reasons, has deemed immaterial and chosen not to fix (**uncorrected misstatements**). It is the Board's role to challenge and understand these judgments to ensure they are appropriate and do not signal a pattern of bias or a weakening of financial discipline.
- **Declaration of Independence:** This is the foundation of the Board's trust in our work. It is a formal reassertion that we have remained objective, providing the Board with the assurance it needs to rely on our independent opinion.

- **Audit Materiality:** Understanding our materiality level provides context for the assurance you are receiving. It defines the threshold above which we design our procedures to detect misstatements. It helps the Board understand the scope of our work and the level at which uncorrected errors, individually or in aggregate, would lead us to modify our audit opinion.
- **Matters related to Going Concern and Independence:** The letter will formally confirm our conclusions on the going concern assumption and reaffirm our independence throughout the engagement, providing explicit assurance on these foundational governance matters.



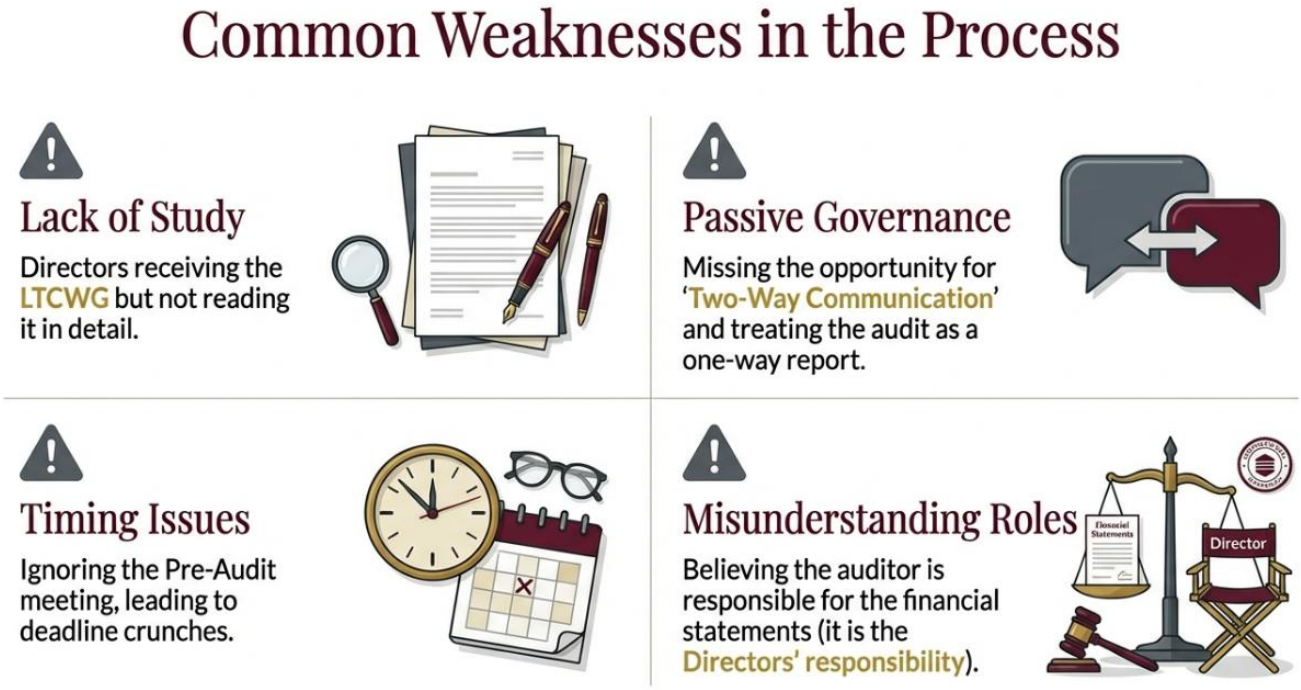
2.5 Section Conclusion

This three-stage process represents the ideal flow of audit communication, but breakdowns can and do occur. Recognizing the common pitfalls is the first step toward avoiding them.

3.0 COMMON PITFALLS AND HOW TO AVOID THEM

3.1 Context and Strategic Importance

Recognizing common weaknesses in the audit communication process is the first step toward rectifying them and unlocking the full value of the audit. This section provides a constructive analysis of frequent challenges we at WDA have observed, designed to help Boards and Senior Management Teams benchmark their own practices. In our experience, the most effective organizations are those that actively avoid these common traps, using the audit process as a catalyst for continuous improvement.



3.2 Analysis of Common Weaknesses

- **The "Clean Opinion" Fixation:** A frequent pitfall is focusing solely on the final opinion in the **Audit Report** while paying insufficient attention to the rich governance insights contained within the **LTCWG** and the discussions throughout the audit. The consequence is that valuable opportunities for operational and control improvements are missed year after year.

- **Passive Engagement:** The audit communication process is mandated to be a "two-way" dialogue. When Trustees and SMT members do not actively participate in the **pre-audit meeting**, ask clarifying questions about findings, or challenge the auditors, the value of the process is diminished. This can lead to misunderstandings and a perception of the audit as a "tick-box" exercise.

- **Information Delays:** Consistently failing to provide requested documentation in line with the agreed **audit timetable** is a common source of friction. This not only creates inefficiencies for the audit team but can also lead to delays in meeting crucial statutory or funder deadlines and may result in potential budget overruns.

- **Ignoring Prior Recommendations:** One of the most telling indicators of a governance weakness is when significant deficiencies are communicated in the LTCWG year after year without evidence of remedial action. As noted in ISA (Ireland) 265, a failure to act on a previously communicated significant deficiency, in the absence of a rational explanation, may in itself represent a significant deficiency.

3.3 Section Conclusion

By being mindful of these common pitfalls, Boards can take proactive steps to avoid them. The following section provides a practical roadmap to ensure your next audit is a more effective and valuable experience.

4.0 A ROADMAP FOR ENHANCING AUDIT COMMUNICATION

4.1 Context and Strategic Importance

The goal of this final section is to provide a practical and actionable roadmap for Trustees and the Senior Management Team. The purpose is to move beyond theory and equip your organization's leadership with tangible steps to transform your next audit into a more valuable and strategic exercise in good governance.



4.2 A Practical Checklist for Your Board and SMT

- **Before the Audit Commences:**
    - [ ] Review the prior year's **Letter to Those Charged with Governance (LTCWG)** and document the actions taken on previous recommendations. Be prepared to discuss these with the auditor.
    - [ ] Designate a primary contact person from the SMT to coordinate with the audit team and manage information flow.
    - [ ] Schedule the **pre-audit meeting** with key Trustees and SMT members, and request an agenda from the auditor in advance to facilitate a productive discussion.
    - [ ] Carefully review and formally approve the **Engagement Letter**, ensuring all parties are clear on the scope and their respective responsibilities.
- **During the Audit Fieldwork:**
    - [ ] Ensure the designated SMT contact maintains regular, open communication with the audit manager to track progress and address queries as they arise.
    - [ ] Respond to auditor queries and documentation requests promptly to adhere to the agreed **timetable** and avoid delays.

- [ ] If significant issues are raised by the audit team (e.g., potential fraud or serious control weaknesses), ensure they are escalated to the full Board or an Audit Committee immediately for discussion and action.

- **At the Audit's Conclusion:**
  - [ ] Schedule a formal **completion meeting** where the auditor can present their findings directly to the full Board.
  - [ ] Dedicate sufficient time on the Board agenda to thoroughly review and discuss the draft **LTCWG**. This is your key opportunity to ask questions and understand the implications of the findings.
  - [ ] Formally assign responsibility to management for developing a time-bound action plan to address any deficiencies noted in the LTCWG.
  - [ ] Review the draft financial statements and the accompanying **Audit Report** carefully before providing final Board approval.

4.3 Section Conclusion

This roadmap underscores a simple but powerful message: proactive and structured engagement is the key to maximizing the value of your annual audit.



5.0 SUMMARY: TRANSFORMING THE AUDIT INTO A STRATEGIC ASSET

5.1 Final Synthesis

The statutory audit, when approached with a strategic mindset, is far more than an annual compliance requirement. It is a vital component of a robust governance framework. The structured communication process mandated by professional standards—from the initial Engagement Letter to the detailed findings in the final Letter to Those Charged with Governance (LTCWG)—is intentionally designed to provide your Board with critical, independent assurance and actionable insights. As your audit partners, we urge you to use this guide to challenge your current engagement with the audit process.

Proactive dialogue, rigorous questioning of our findings, and a commitment to addressing recommendations are the hallmarks of strong governance. By embracing this approach, you will transform the annual audit into a strategic asset that protects and enhances your organization's mission.



10.0 ABOUT WDA

- We are a mid-tier firm with two offices servicing our client bases in Dublin and Meath.
- WDA specialise in the provision of professional audit and consultancy services including to the Charity & Not for Profit Sector, with over 150 Charity clients across all sectors of the industry.
- Our professional staff comprises of 30 staff: - 4 Partners, 20 professional staff including 2 Audit Managers and 4 support/admin staff.
- Whelan Dowling & Associates has been providing audit and accounting services to the charity sector for over 40 years and are affiliated with the Chartered Accountants Ireland.
- Whelan Dowling & Associates (WDA) are an award-winning firm having achieved the "Best Medium Sized Accountancy Practice in Ireland in **May 2023** and ***again*** in **May 2026,** whilst also being named runner-up as best overall firm in Ireland for both years. We have also won best use of technology and have been shortlisted as a finalist many times over the past 10 years.
- WDA have acted as a Technical Assessor for the Good Governance Awards for several years,
- WDA is listed as a supplier of Audit and Professional services with the Charities Institute of Ireland.

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