

WELCOME

Auditing Update

MAULDIN & JENKINS

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Overview of Our Presentation



**Overview of Recent
Changes**



**Upcoming Changes &
YB Exposure Draft**



**Preparing for your next
audit**



Overview of Recently Implemented Changes

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SAS 134 – Auditor Reporting and Amendments, Including Addressing Disclosures in the Audit of Financial Statements

Effective for fiscal years ending
December 31, 2021 or later

- Opinion Section moved to first section in report
- Basis for Opinion Always Included
- Responsibilities of Management for Financial Statements
- Auditor's Responsibility for the Audit of the Financial Statements

SAS 135 – Omnibus Statement on Auditing Standards

Convergence with PCAOB

- Significant Unusual Transactions added to required communications
- Auditor Consultations outside engagement teams added to required communications
- Impact on uncorrected misstatements to future periods
- Additional inquiries related to related parties

Knowledge Check

Which section would you not find in your Audit Report?

1. Opinions
2. Responsibilities of Management for the Financial Statements
3. Scope and Nature of the ERISA Section 103(a)(3)(c) Audit of the Financial Statements
4. Auditor's Responsibilities for the Audit of the Financial Statements

SAS 137 – Other Information Included in Annual Report

Other Information may Include:

- Introductory and Statistical Sections
- Financial Summaries or Highlights
- Other

Auditor's Responsibility for Other Information

- No opinion
- Read for material inconsistencies
- Separate paragraph in report

SAS 140 – Independent Auditor Reporting Changes from SAS 134 and 137

Supplementary Information

- Not Emphasis of Matter or Other Matter Paragraph
- Separate section of report

Required Supplementary Information

- Not Emphasis of Matter or Other Matter Paragraph
- Separate section of report

SAS 142 – Audit Evidence

Biggest Impacts

- Responds to Growing Use of Technology and Evolution of Auditing
- Expands Guidance on Sufficient Appropriate Evidence
- Illustrates how Automated Tools and Techniques can be used in an audit

Knowledge Check

Which of the following are acceptable forms of audit evidence?

1. Using a drone to assist in physical inventory of livestock
2. An invoice maintained in a document management software
3. Approvals documented in workflow software
4. All of the above



Upcoming Standards

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SAS 143 – Auditing Accounting Estimates and Related Disclosures

Biggest Impacts

- Separate Assessment of Inherent & Control Risk using Estimation Uncertainty, Complexity, and Subjectivity
- Effective for periods ending after December 15, 2023.

SAS 144 – Use of Specialists and Use of Pricing Information Obtained from External Information Sources

Amendments to AU-C Sections 501, 540, and 620

- AU-C Section 501 – Enhance guidance about evaluating work of management specialist (i.e. Actuaries)
- AU-C Section 540 – Audit evidence for using third party pricing services as audit evidence for estimates related to fair value of financial instruments.
- AU-C Section 620 – Enhance guidance about using the work of an auditor's specialist.

Effective for periods ending after December 15, 2023

SAS 145 – Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement

Biggest Impacts

- Enhances Guidance related to entity system of internal control, as well as technological aspects in which entities operate
- Revised definition of significant risk
- Requirement to assess RMM at Inherent Risk Level if control risk is maximum
- “Stand back” requirement for evaluation of SCOTs, Account Balances, and Disclosures
- Effective for periods ending after December 15, 2023.



Yellow Book Update

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2023 Yellow Book Exposure Draft

What?

In January 2023, the GAO issued 2023 Exposure Draft to Yellow Book Guidance. This guidance will supersede April 2021 Technical Update

Why?

To reflect major developments in auditing and accountability professions and emphasize specific considerations applicable to government environment

When?

Comment period ended April 28, 2023. Effective Date will be included when YB is issued in final form.

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2023 Yellow Book Exposure Draft

Biggest Impacts

- Brings Yellow Book Guidance in line with recent IAASB and ASB standards on quality management.
- Provides Flexibility for Audit Organizations Subject to Other Quality Management Standards (IAASB & ASB)
- Emphasizes Responsibility of Leadership for Quality Management
- Adds Risk Assessment Process and Information and Communication Components
- Emphasizes Monitoring of the Entire System of Quality Management

2023 Yellow Book Exposure Draft

Biggest Impacts

- Promotes Scalability for Use by Audit Organizations Differing in Size and Complexity
- Provides for the Use of Engagement Quality Reviews
- Includes Application Guidance for Key Audit Matters
- Permits Early Adoption of Proposed Standard

Knowledge Check

The 2023 Yellow Book Update Exposure Draft:

1. Emphasizes additional responsibility for all members of audit team
2. Includes application guidance for Key Audit Matters
3. Separates YB guidance from IAASB and ASB guidance
4. Has been issued and is in effect.

Google “2023 Yellow Book Exposure Draft and Comments”

General Yellow Book

Performance Audits

- Used to provide objective analysis and improve
 - Program performance and operations
 - Reduce costs
 - Facilitate decision making

General Yellow Book

Performance Audits

- Assess significance and audit risk to establish scope and methodology
- Design methodology to obtain sufficient appropriate evidence to
 - Provide reasonable basis for findings and conclusions
 - Reduce audit risk to acceptable level
- Identify and use suitable criteria & audit objectives
- Assess & document design, implementation, and operating effectiveness of IC to extent significant to audit objectives

Client Affiliates - Independence

Fiscal Years Ending 12/31/2022 and after

Auditors Must be Independent of client, but also any affiliate of that client.

What is an affiliate?

- Could be Component Unit
- Could be investee
- Could be related party
- Others?

Client Affiliates – Independence

Entities included in the FS of attest clients:

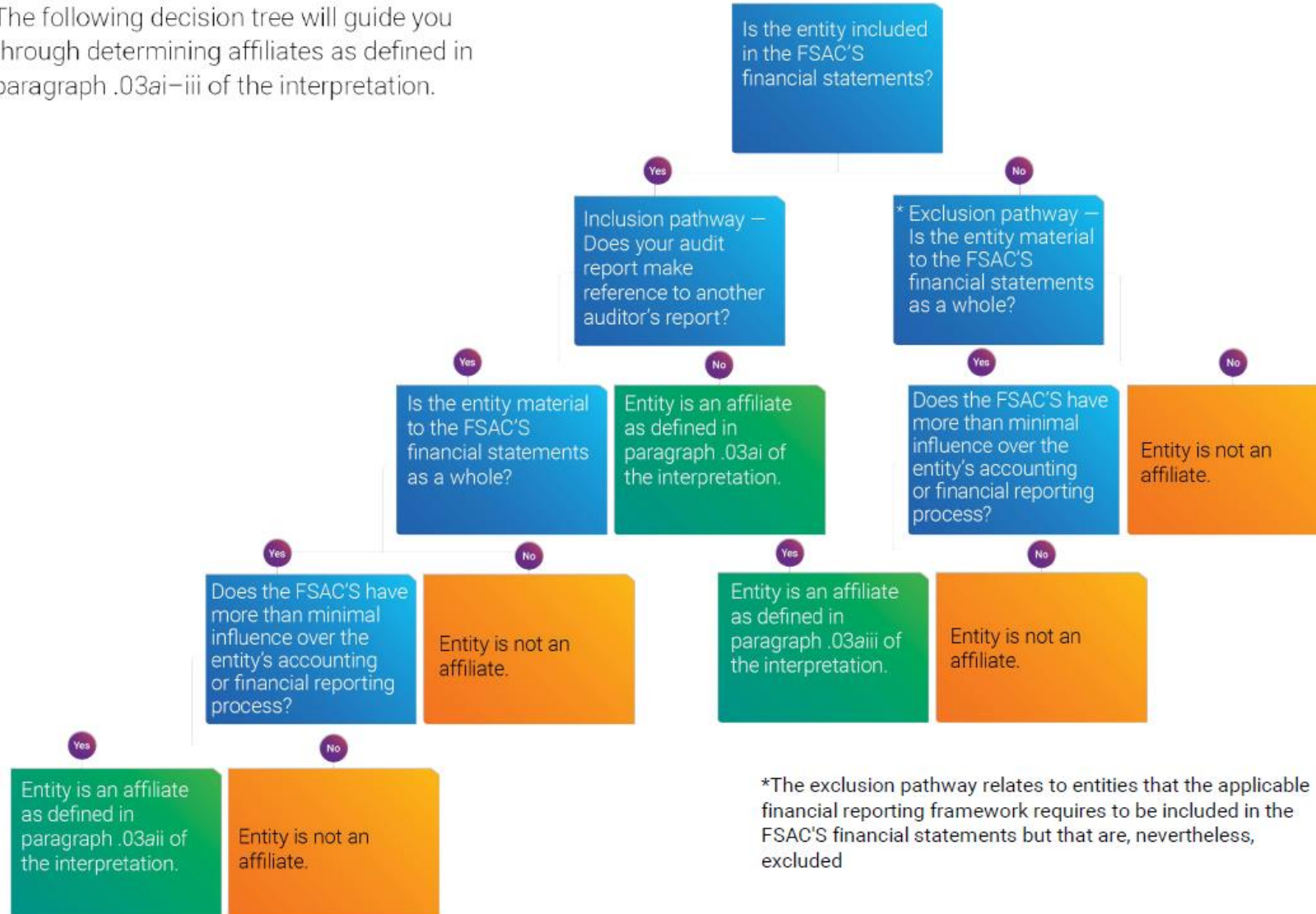
- When we DO NOT reference another auditor
- When we reference another auditor

Investor/Investee

- Depends on Investments
- Does the investor (client) have significant control OR significant influence over investee (affiliate)?
- Apply independence rule if yes

Client Affiliates - Independence

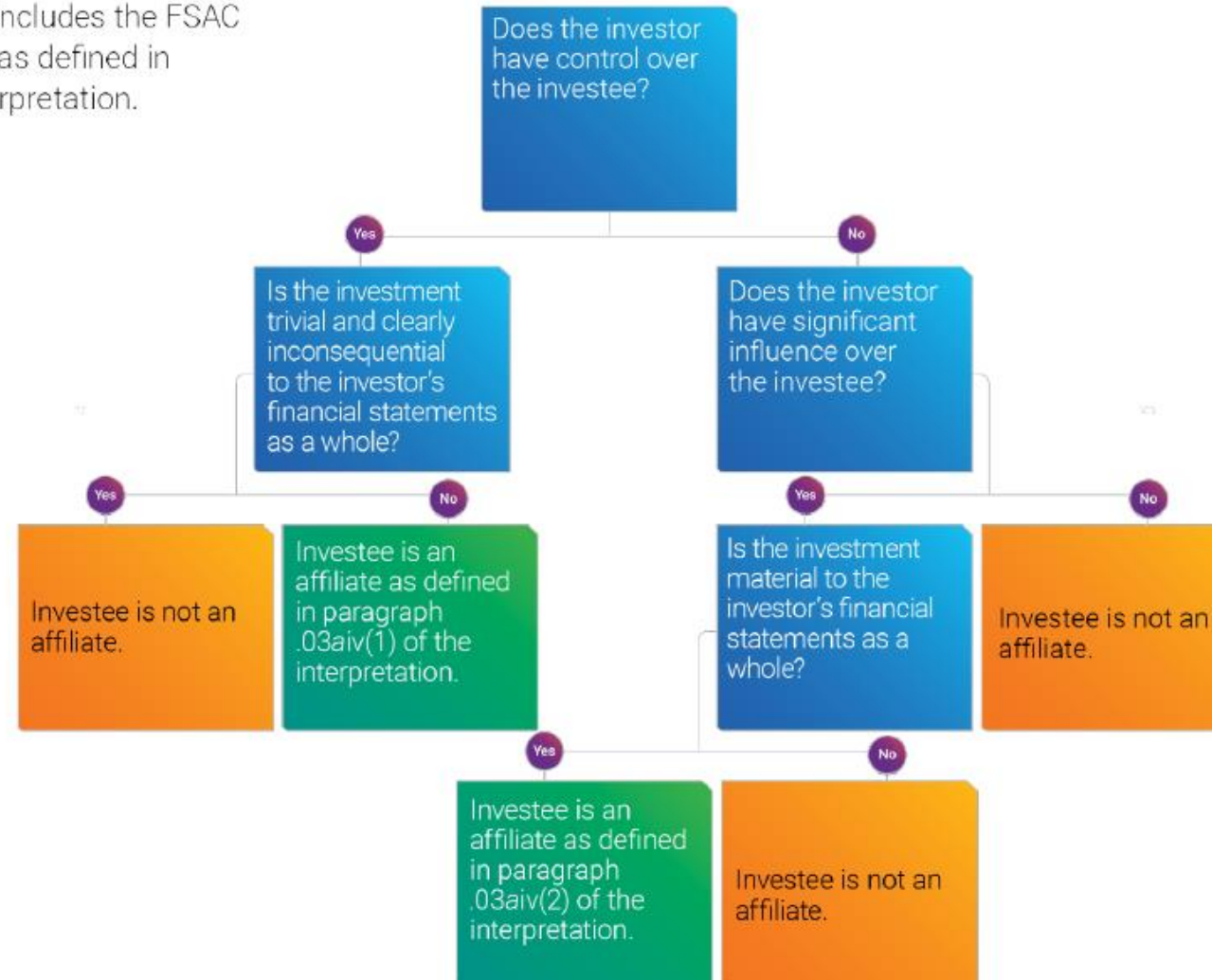
The following decision tree will guide you through determining affiliates as defined in paragraph .03ai–iii of the interpretation.



*The exclusion pathway relates to entities that the applicable financial reporting framework requires to be included in the FSAC'S financial statements but that are, nevertheless, excluded

Client Affiliates - Independence

The following decision tree will guide you through determining affiliates as defined in paragraph .03aiv of the interpretation. In this context, an "investor" includes the FSAC or an affiliate of the FSAC as defined in paragraph .03ai of the interpretation.





Best Practices in Preparing for your Audit

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New Standards

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements

- June 30, 2023 Fiscal Year-ends and beyond
- How can I prepare?
 - Identify PPP or APA arrangements
 - Follow guidance of GASB 87 or GASB 60

New Standards

GASB 96 – Subscription-Based Information Technology Arrangements

- June 30, 2023 Fiscal Year-ends and beyond
- How can I prepare?
 - Develop an inventory of software utilized by your entity
 - Include Department Heads for Completeness
 - Review contracts
 - Prepare subsidiary schedules and disclosure support (including developing internal policy)
 - Utilize Third Parties, as necessary
- If you haven't started...you're late!

New Standards

GASB 99 – Omnibus 2022

- Effective Dates Vary by Topic
- Items for FY23 primarily related to Leases, SBITAs, and PPPs
- How can I prepare?
 - Review standard for requirements related to Leases, SBITAs, and PPPs as you implement those respective standards

New Standards

2023 Compliance Supplement is Released!

- <https://www.whitehouse.gov/omb/office-federal-financial-management/>
- Always review Part 8 – Appendix V – List of Changes
- Highlights
 - Highway Planning & Construction Cluster has been “decoupled” (no more cluster)
 - Changes to Student Financial Aid Cluster
 - Changes to Disaster Grants

New Standards

Upcoming in the Single Audit World

- EFFECTIVE FOR FY23
 - New submission platform (GSA)
 - No longer Federal Audit Clearinghouse
- NOT EFFECTIVE FOR FY23, BUT PROPOSED
 - Proposal to increase expenditure threshold to \$1,000,000 from \$750,000

Establish a Timeline for Year-end Close Procedures

Example – Assuming a 9/30 YE, January 1 Fieldwork

Prior to September 30:

- Discuss timelines with Auditors, Actuaries, CUs, Other 3rd Parties
- Identify Time Sensitive YE reporting from system
- Discuss AP Close with Department Heads
- Confirmations, Inventory Counts

Establish a Timeline for Year-end Close Procedures

Example – Assuming a 9/30 YE, January 1 Fieldwork

October

- Reconcile Bank Accounts
- LTD Schedules, Compensated Absences, Accrued Payroll
- Reconcile Utility Billed AR; Establish Allowance
- Reconcile Interfund Accounts
- REVIEW!

Establish a Timeline for Year-end Close Procedures

Example – Assuming a 9/30 YE, January 1 Fieldwork

November:

- Utility Unbilled
- Close AP; Begin Reconciling Capital Assets
- Reconcile General Accounts Receivable & DFOG
- Reconcile Misc. Other Assets (Prepays & Inventory) and Liabilities
- REVIEW!

Establish a Timeline for Year-end Close Procedures

Example – Assuming a 9/30 YE, January 1 Fieldwork

December:

- Identify 60 day revenues; Finalize AR/DFOG, Unavailable Rev.
- Prepare SEFA
- Make adjustments for Pension, OPEB, Claims, and Landfill Liabilities
- Finalize Capital Asset Entries
- REVIEW!

Preparing for your Audit

Consider the Audit an On-Going Process

We are advisors who prefer to hear from you throughout the year to:

- Discuss Implementation of New Standards
- Discuss Unusual Transactions
- Discuss Changes in Internal Control
- Discuss prior audit findings / management letter comments

We are always planning!

- Procedures for Interim Work
- Timing of Fieldwork (Single Audit Expected)
- Technologies to be used
- Remote Opportunities
- Discuss audit request list

Additional Best Practices

Perform Reconciliations throughout the year

Identify Reports to be used as supporting documentation.

Establish Communication Preferences with Auditor

Have a clear self-review process

Knowledge Check

I will prepare for my next audit by:

1. Communicating with my auditor throughout the year
2. Having a year-end checklist to help organize the process
3. Learn about any new standards I need to implement
4. All of the above

QUESTIONS?

Thank You

FINAL QUESTIONS OR COMMENTS?

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