

General Audit Success

FGFOA School of Governmental Finance
October 25, 2024

Course objectives



Understand the various types of audits and the objectives of each



Implement a plan to encourage audit success and avoid common pitfalls



Implement a plan to encourage continuous, post-audit improvement

External Audits



General Question

Have you ever dealt directly with the external auditors?

- A. Yes
- B. No

Discussion Question

What types of audits have you or your organization experienced (e.g., financial, compliance, operational)? How did the objectives of these audits differ?

Discussion Question

Can you share a strategy or practice that you found particularly effective in preparing for an audit? What made it successful?

Discussion Question

What are some common pitfalls you've encountered during audits, and how did you or your team overcome them?

Discussion Question

How do you manage expectations from stakeholders during the audit process? What strategies have worked for you?

Discussion Question

How has your organization used audit findings to drive continuous improvement? Can you share a specific example?

Discussion Question

Looking ahead, what trends or changes do you anticipate will impact the audit process in your industry? How can we prepare for these changes?

General Audit Success



External Audits: Overview

What is an External Audit?

WHO?

- External Auditors are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes those opinions

WHAT?

- Financial Statement Audits performed under Generally Accepted Auditing Standards (GAAS)
- Financial Statement Audits performed under Government Auditing Standards (GAS) as well as GAAS
- Compliance audits required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- Attestation engagements performed as required by federal, state, or local laws and regulations.

WHY?

- Statutorily required via Florida Statutes 1010.30: school districts are required to have an **annual financial audit** of the district school board.
- Demonstrates financial efficacy, soundness, and compliance
- Provide reliable outcome data to stakeholders.

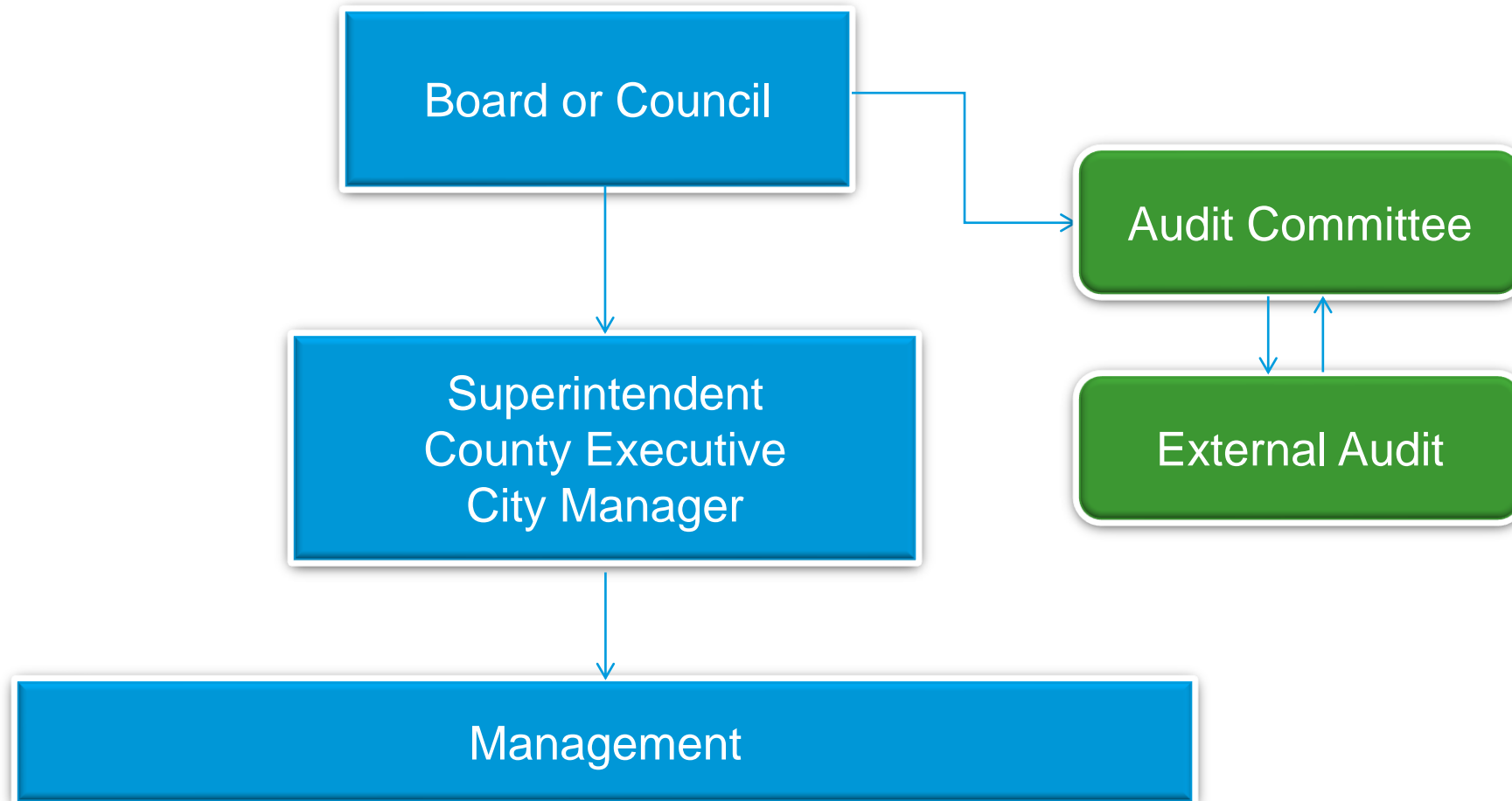
Audit Goals

Auditor: To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes those opinions.

Management: To prepare and fairly present the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

External Audit Governance

Independent Reporting Structure



External Audits: Preparing for an Audit

Benefits of Good Audit Preparation

Less Stress



Timely Reports



Lower the Cost



What did we learn from last year?

Before the audit, you should:



Review last year's audit

Revisit and learn from last year's audit process

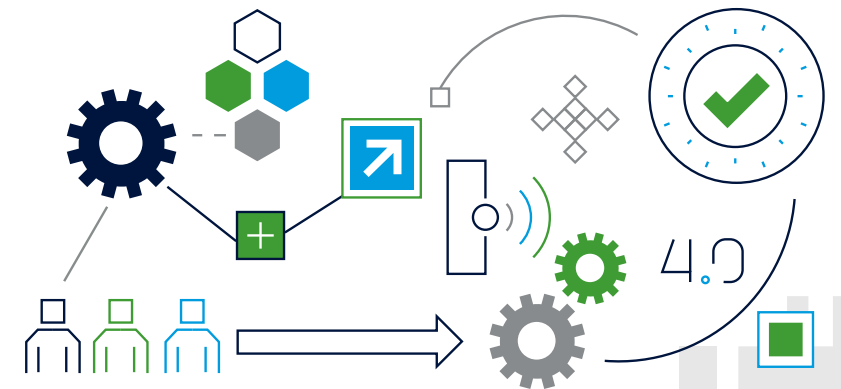
Review oral and written communications

Review audit adjustments and passed adjustments



PBC (Provided By Client) List

- The auditor should provide a detailed audit preparation list with deadlines
- Gather all organizational documents and contractual agreements
- Document (Update) your key financial statement processes and policies
 - This should also include IT systems that support financial reporting
- Review accounting records to ensure reconciliations are available
- Auditor should provide a secure portal for sharing electronic documents
- Ensure transactional data is available for testing
- Keep track of relevant laws and regulations



Review

Don't forget to Self-Review!

01

Does it tie to the general ledger?

02

Are formulas correct?

03

Are there any broken links?

04

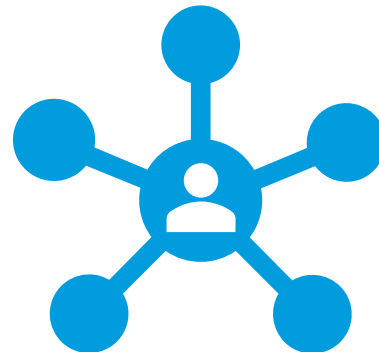
Ensure proper approval

05

Make note of any immaterial differences

06

Finalize supporting schedules



What's changed since last year?

Let your auditor know if anything material has changed

01

Accounting systems

02

Accounting policy

03

New personnel in finance function

04

Significant transactions or changes

New Accounting Standards

New accounting standards



Do you know what is coming?



Assess the impact



Stay Connected
Audit and Accounting Guides
AICPA and State Societies (Governmental Audit Quality Center)

Preparing for On Site



General Audit Success



External Audits: Project Management

Project Management

Deadline

- Critical to comply with Florida Statutes

Milestones

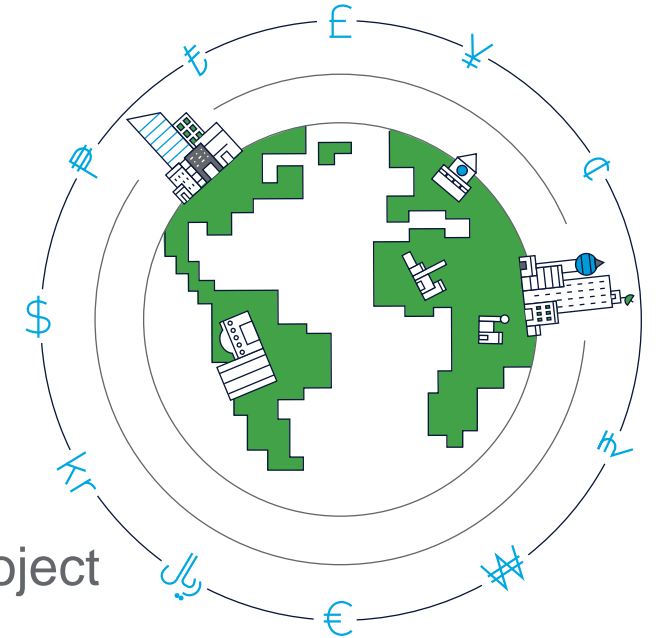
- Track progress

Timelines with Workstreams

- Set up timelines with work streams for people supporting your project

Constant Communication

- Do not wait until fieldwork starts to connect with the auditor and personnel responsible for the audit
- During the audit, schedule regular status meetings



Let's Have an Audit Party!



An independent audit is a lot like a party... if the people don't show up, they just don't happen.

Communication

Internal:

With Treasury, Accounting/Finance, officers, and other departments, make sure everyone knows what is expected and when.

Delegate - ask for help from the person most knowledgeable in each area.

Meet as a team to review audit preparation progress before and during fieldwork.

Communicate and monitor deadlines and responsibilities for each deliverable.

Communication

External:

Audit Committee

Should be aware of the audit plan and updated on status, not just receive reports

Auditors

Read the engagement letter - be aware of deadlines!

Communicate frequently, at least weekly during fieldwork - make sure outstanding items are discussed

Designate key point person for communication with auditors

If you can't deliver, don't ignore, let the auditor know so they can plan

General Question

How often should you communicate with the audit team?

- A. Monthly
- B. Weekly
- C. Only if they reach out
- D. It depends
- E. At the beginning and the end

External Audits: Review Audit Results

Review Audit Results

01

Debrief with team to review all phases of the audit process

02

Have exit meeting with auditors

03

Place emphasis on continuous improvement

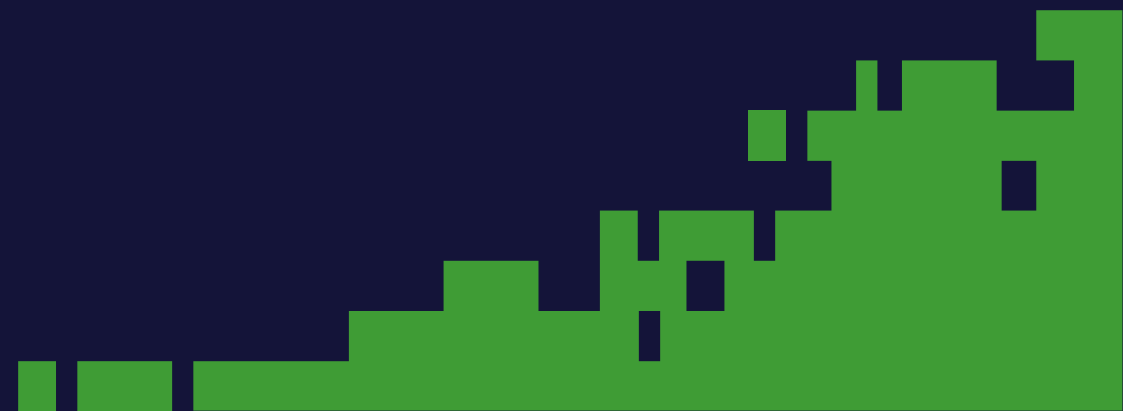
Takeaways

What specific strategy or practice from today's discussion do you plan to implement in your audit process?

Takeaways

What area of your audit process do you feel needs improvement, and what concrete action will you take to address it?

Questions and Answers





THE POWER OF BEING UNDERSTOOD

ASSURANCE | TAX | CONSULTING

This document contains general information, may be based on authorities that are subject to change, and is not a substitute for professional advice or services. This document does not constitute assurance, tax, consulting, business, financial, investment, legal or other professional advice, and you should consult a qualified professional advisor before taking any action based on the information herein. RSM US LLP, its affiliates and related entities are not responsible for any loss resulting from or relating to reliance on this document by any person. Internal Revenue Service rules require us to inform you that this communication may be deemed a solicitation to provide tax services. This communication is being sent to individuals who have subscribed to receive it or who we believe would have an interest in the topics discussed.

RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent assurance, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

RSM, the RSM logo and *the power of being understood* are registered trademarks of RSM International Association.

© 2024 RSM US LLP. All Rights Reserved.