

# IMPROVING YOUR AUDIT PROCESS

Keys to a Painless Audit

**Dan Berg**

Partner, Sikich LLP

630-566-8535

[dan.berg@sikich.com](mailto:dan.berg@sikich.com)

# SUMMARY

- We know the audit process can be challenging, however, there are ways to make the audit process go smoother.
- With proper preparation & communication you can make your annual audit a painless process.
- We will cover recommendations to help the audit process be easier –from the perspective of both the auditor and auditee.

# POTENTIAL AUDIT ISSUES

- Review prior year process
  - What worked?
  - What didn't work?
- Timing
  - Develop a timeline
  - Set expectations
- Agree on deliverables for both the auditor and auditee

# YEAR-ROUND PREPARATION

- Always keep the audit in the back of your mind 😊
- There are a lot of things you can do throughout the year to prepare for the audit!
  - Capital Assets – Update Monthly
  - Reconcile balance sheet accounts on a monthly or at least quarterly basis
  - Save important agreements/resolutions in designated ‘audit’ folder
  - Prepare (and follow!) month end and year end checklists
  - Communicate with auditor throughout the year

# THE STAGES OF AN AUDIT

1. Planning
2. Preliminary Field work
3. Final Field work

# PHASE 1 – PLANNING MEETING

- Before or around the auditee’s year-end, may be done during preliminary field work, there will generally be a planning meeting conducted with the auditee and auditor that will cover:
  - Any changes in personnel, control systems, service providers
  - New accounting standards that will be implemented: OPEB for 6/30/18 and beyond!
  - Capital asset additions
  - Debt, leases
  - Prior year management letter
  - Create audit schedule
    - Coordinate with the government/departments
    - Coordinate with outside accountants
    - Coordinate with other service providers (i.e. actuaries, attorneys)
    - Consider last year’s audit for potential changes to schedule

## PHASE 1–PLANNING MEETING (CONT.)

- How can you prepare for the planning phase?
  - Focus on what changed in your organization
  - Accumulate any new agreements, policy changes, etc. ('audit' folder)
    - If you didn't do this, a 'cheat' is to do a review of board minutes before meeting
  - Be aware of any new accounting pronouncements and how they may affect your organization
  
- What should you do after the planning meeting?
  - Share audit schedule with others involved in audit (employees, actuaries, etc)
  - Be on the lookout for the 'PCAW' and begin gathering requested items

## PHASE 2 – PRELIMINARY FIELDWORK

- The purpose of preliminary fieldwork is for the auditor to:
  - Document and update internal control structures
  - Review Board minutes
  - Review new agreements entered during the year
  - Perform fraud interviews
  - Form at financial statements for current year audit (if auditor prepared)
  - Review GFOA Comments and implement them
  - Plan for the implementation of new accounting standards (OPEB)



## PHASE 2 – PRELIMINARY FIELDWORK (CONT.)

- How can the auditee prepare?
  - Request a 'PCAW' [Preliminary Client Assisted Workpaper] listing
    - Meet as a team to discuss and assign responsibility
  - Review and update internal control narratives for current year changes; may request a copy of what your audit has in their files and update that
  - Prepare confirmations for the current year.
  - Schedule fraud interviews well in advance/contact interviewees the week of prelim
  - Contract with actuary for work for government
  
- What should the auditee do after preliminary fieldwork?
  - Ensure all items requested are provided (or auditor will just ask for them later)
  - Request FCAW and begin working on this early

## PHASE 3 – FINAL FIELDWORK

- The purpose of final fieldwork is for the auditor to:
  - Audit year-end balances
    - Perform substantive testing
      - Review balance sheet accounts with no changes\*
      - Review all accounts payable and accrued payroll
      - Review compensated absences, debt, leases, IMRF
      - Review additions, deletions, depreciation: capital assets
      - Review miscellaneous revenue and expenditure accounts\*
      - Review equipment, repairs, capital outlay accounts
      - Review legal bills
  - Prepare financial statements (if assembled by auditor)
  - Issue the audit opinion!

## PHASE 3 – FINAL FIELDWORK

- How can the auditee prepare?
  - Work on FCAW early and often
    - Assign items to employees and delegate
    - Ask questions on requested items and request what was provided in prior year
    - If auditor requests something not on FCAW, make sure they add for subsequent year
  - Have a detail checklist for year-end/final field work
  - Communicate within organization the time-sensitive nature of year-end items
  - Plan on setting aside time during final field work to ‘deal’ with auditors
    - However, the more prepared you are, the less face time will be required

# AFTER THE AUDIT

- How can the auditee prepare?
  - At the conclusion of fieldwork, gather your team to assess success areas and opportunities to improve
  - Have an exit conference with the auditor
    - Open points
    - Management letter comments
    - AJEs
    - Deliverables' status
    - Board meeting dates

# WAR STORIES & QUESTIONS

Any horror stories or success stories you'd like to share?



LinkedIn: [www.linkedin.com/company/sikich](http://www.linkedin.com/company/sikich)

Facebook: [www.facebook.com/sikichllp](http://www.facebook.com/sikichllp)

Twitter: [www.twitter.com/sikichllp](http://www.twitter.com/sikichllp)

Blog: [www.sikich.com/blog](http://www.sikich.com/blog)

[SIKICH.COM](http://SIKICH.COM)