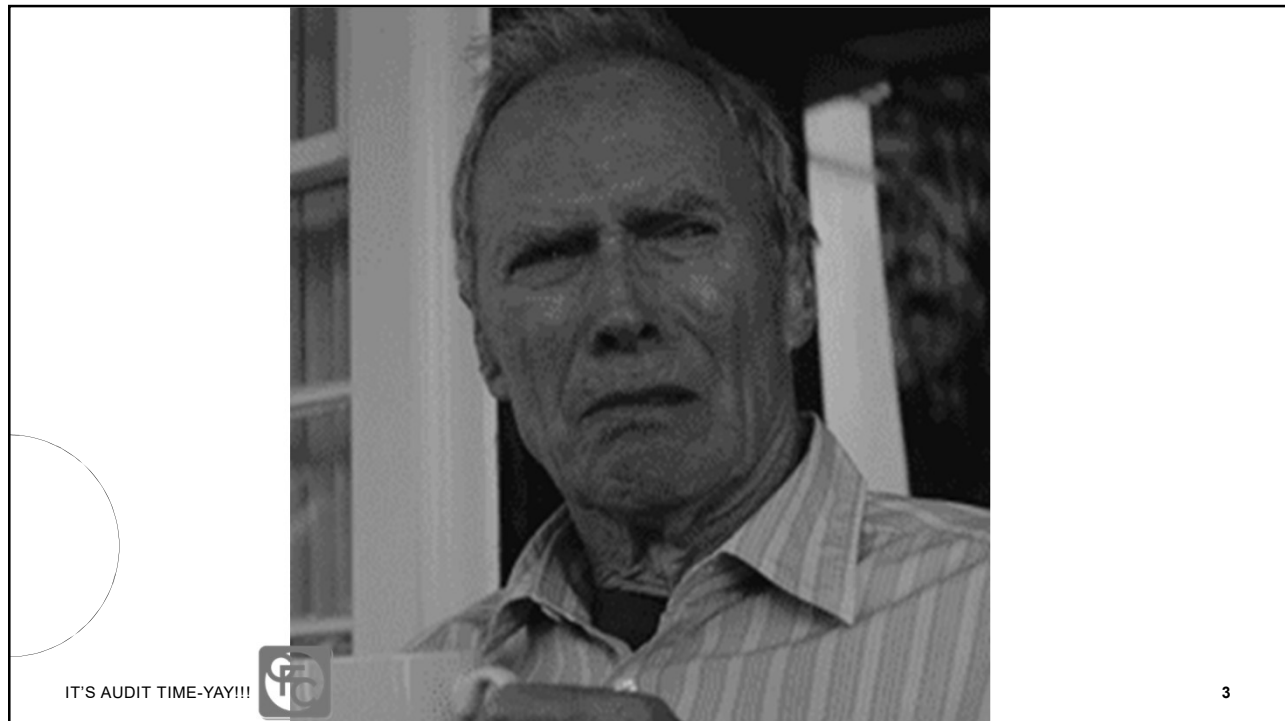


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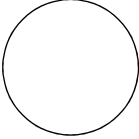
IT'S AUDIT TIME-A DEEPER DIVE

Larry Finney
Greene Finney Cauley, LLP





Introduction



- ✓ The audit-what it is and is not
- ✓ The audit process
- ✓ The end products and presentation

IT'S AUDIT TIME-YAY!!!

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The Audit-What it is and is not

1-IT IS NOT A FIGHT



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2-IT IS NOT A TATTLE TALE SESSION



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The Audit-What it is and is not

1-IT IS A BUSINESS PARTNERSHIP



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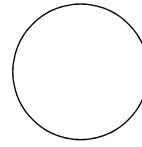


2-IT IS MAKING THE BEST OF A REQUIREMENT AND WORKING TOGETHER



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The Audit-What it is and is not



- ✓ It is a state requirement for each county to have an annual audit (SC Code of Laws section 4-9-150)
- ✓ Independence (in appearance and fact) is foundational to the audit firm
- ✓ Our formal contract is with your Council
- ✓ End result is the opinions issued by the audit firm
- ✓ Opinion-fairly stated, reasonableness and materiality

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The Audit Process- Before the fieldwork starts



- **Regular communication is critical**
- Meetings at various times
- If you are not sure about something, ASK!



- **Communicate initial needs**
- Agree to interim and final schedule
- Talk with those charged with governance



- Engagement letter and related documents (includes results of our peer review)
- Who prepares the financial statements?

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The audit process- Interim fieldwork

Generally, firms like to come out before your fiscal year end or soon after to perform "interim fieldwork."

- Get interim needs list before interim work
- **Entrance conference**
- Risk assessment
- Walk thrus of major processes
- Single audit-federal programs
- Audit procedures/programs
- Early work in some areas such as capital assets and debt
- Communicate next needs list

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The audit process- Final fieldwork



For the audit to go well and the audit firm to be efficient, very important that the finance team has completely and accurately closed out the general ledger/trial balance for all funds!

- Balance sheet
- Revenues and expenditures/expenses

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Other matters:

- On-site vs. remote
- We ask a lot of questions
- List of ideas and recommendations
- No surprises
- Professional judgment
- What about fraud?

The audit process- Wrap up

- Financial statements-draft for review that includes opinions
- Management letter and findings draft
- Audit exit conferences
 - Finance team
 - Executive administration
 - Council Chair or Council Finance/Audit Committee
- Finalize reports
- Presentation to Council

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So What?



- The general process should be the same no matter the firm, but there will be differences.
- Independence and partnership
- There are truly no dumb questions-our goal is for you to be as efficient and effective as possible.



But our hands are tied with some things due to our regulations:

- Material adjustments (most common is cut-off)
- Significant internal weaknesses (design vs. operation)
 - Timely bank recs
 - Complete close out
 - 2 people (segregation)
- Federal and state compliance matters-most common are:
 - Collateral
 - Late financial reporting
 - Cut-off

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Compilations SC Code of Laws 5-7-240

(A) The council of each municipality having total recurring revenues at or above the threshold in Section 5-7-240(D) shall provide for an annual audit of financial statements. The council may, without requiring competitive bids, designate a certified public accountant or public accounting firm annually or for a period not exceeding four years, provided, that the designation for any particular fiscal year shall be made no later than thirty days after the beginning of such fiscal year.

(B) The council of each municipality having total recurring revenues below the threshold in Section 5-7-240(D) may elect to provide for either an audit of financial statements or a compilation of financial statements in lieu of an audit as follows:

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Compilations SC Code of Laws 5-7-240

- (1) annually for municipalities that have a court system; or
- (2) at least once every three years for municipalities that do not have a court system.

(C) The audit or compilation must be performed by an independent certified public accountant or a firm of certified public accountants. The report of the audit or compilation shall be made available for public inspection. Financial statements of municipalities with a court system must include the requirements of Section 14-1-208.

(D) Beginning with the municipality fiscal year which begins after January 1, 2024, the reporting threshold is \$500,000 of the total recurring revenue of a municipality. As soon as practicable at the beginning of each subsequent calendar year, the Revenue and Fiscal Affairs Office must determine the increase or decrease in the ratio of the Consumer Price Index to the index as of December 31 of the previous year and the threshold must be increased accordingly.

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Compilations-matters to think about

1-Compilation is the CPA simply "compiling" what is in your trial balance (unless they see obvious errors) and then prepare the financial statements

2-the financials statements are the same as for an audit, but the code does not say notes must be included (I think it is likely assumed, but it is not clear)

3-if notes not included then there is mention of that in the opinion

PRESENTATION TITLE



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Let's look at some documents

Entrance conference

Needs list

Financial Statements

PRESENTATION TITLE



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