

Curriculum Guide for Presentations on: ***Preparing for the Financial Statement Audit***

Goal: To identify and clarify the purpose of an audit, the work of the auditor, and the necessary steps management should take to be ready for an audit of the financial statements.

Points to cover when presenting on preparing for the financial statement audit:

1. Define a financial statement audit, noting particularly that it is an independent assessment which requires that the auditor be *independent* and *objective*. Define what independence and objectivity means in an audit environment.
2. Identify the responsibilities of the auditor:
 - a. To examine, on a test basis, evidence supporting the numbers in the financial statements.
 - b. To inspect the documents.
 - c. To read reports and minutes.
 - d. To trace transactions through the system.
3. Note that auditors pay particular attention to the following:
 - a. Complex and subjective accounting transactions
 - b. Competence and integrity of management
 - c. Lack of expertise on the part of the staff, which may lead to honest mistakes
 - d. Quality of internal controls
4. Depending on the financial expertise of the audience, it may be helpful during the presentation to remind them of management's assertions in the financial statements (e.g., existence or occurrence; completeness; rights and obligations; valuation and allocation; presentation and disclosure). It may also be helpful to remind the audience of the basic structural requirements for a good internal control system.
5. Explain the relationship between the adequacy of the client's internal control system and the audit risk that the auditor is willing to assume (i.e., the better the organization's internal controls, the lower the likelihood of material misstatements in the financial statements).
6. Identify the types of audit opinions the auditor can give and the other communications the auditor will provide to those charged with governance.
7. Clarify the meaning of the words: "control deficiency," "significant deficiency," and "material weakness."
8. Identify the responsibilities of management:
 - a. Preparation of the financial statements in conformity with the SDA Accounting Manual
 - b. Being prepared for the audit process
 - c. Providing all requested items on the PBC (prepared-by-client) list to the auditors
 - d. Providing a suitable work area and a central contact person for the audit team
 - e. Communicating with the auditor during the audit in an open and candid manner

- f. Communicating any unresolved difficulties or issues encountered during the audit to the on-site auditor's supervisor(s)
 - g. Meeting all deadlines set by the board and the audit team
- 9. Provide examples of the information the auditor will need during the audit (e.g., bank information, minutes, mortgage or lease agreements, account transaction details, etc.).