PROACTIVE AUDITING

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Not this Clooney
THE END

(start here)
Start at the End

To be truly proactive, you must begin your process as the audit ends.

• Exit Conference:
  • Comments and recommendations included in the audit report must be discussed and understood by your administrative team.
  • If not offered, ask for items that did not make the report, but may become problematic is not addressed.
  • Inquire about any value added ideas that the auditor may have observed in other entities.
  • Use this meeting as a strategy session.
  • Be certain that everyone understands the items discussed, including the auditor.
The In Between

Your audit is done, now what?

• **Corrective Action Plan:**
  • Craft your Corrective Action Plan with the input and commitment of key personnel.
  • IMPLEMENT your correct action plan.

• **Communication with Professionals:**
  • Auditors, Bond Counsel, Financial Advisors, etc. are a sound resource for the management team.
    • Remember that there are outside experts as well for things such as IRS regulations, deferred compensation plans, insurance.
  • Keep in mind that professionals should not be making management decisions, but should be consulted when question arise.
The In Between

Your audit is done, now what?

• **Ongoing Monitoring of Internal Controls:**
  • Internal controls are a paramount tool in safeguarding assets.
  • Having proper internal controls will assist in preventing and detecting any fraudulent activities in a timely manner.
  • Review your internal controls regularly for weaknesses and external threats and changes.
  • We cannot wait until there is a problem to determine if controls are outdated and/or have become ineffective.
  • Consult with other department personnel on their processes.
  • Consider implementing a process for internal auditing.
"Our general ledger shows multiple occurrences of a $49.50 charge. Any idea what that is?"
The In Between

Your audit is done, now what?

• **Integrate Analytics:**
  • Auditors use analytics as integral tool in assessing risk when planning the audit.
  • As a CFO, incorporating using analytics to monitor activities on a continual basis can help to place a spotlight on errors, anomalies and/or fraud.
  • In the current market, there are many analytical tools being developed with the use of AI to assist with the function.

• **Important Periodic Cross Checks:**
  • There are many simple tasks that can be performed at different intervals throughout the year that ensure accurate and complete accounting for funds.
    with the function.
BRACE YOURSELVES

AUDIT SEASON IS UPON US
Back to the Beginning...

of the Audit

• Auditors’ Mindset:
  • Auditors must always approach an engagement with professional skepticism.
  • Adopting this mindset in your day to day activities can assist in developing and strengthening internal controls.

• Risk Based Audit:
  • The audit should never be boilerplate or one size fits all.
  • The auditor should use tools such as a “fraud conference”, “fraud questionnaires”, and “fraud triangle” assessment to determine the risk level of each client.

• Guiding the Focus:
  • As part of the management team, you should discuss any concerns that you have, with your auditor.
  • Explain your concerns and ask for them to spend a little time looking at departments/processes that you think may need restructuring.
Back to the Beginning... of the Audit

• **Simplify the Process:**
  • Consider file sharing with the auditor.
    • If you create a file that can be accessed by both management and the audit team, you can save any relevant documents directly to that file throughout the year.
  • You may want to assign user name and read only rights to the audit team in your financial software system.

• **Take Initiative:**
  • Ask for the audit samples required ahead of the scheduled start of the audit.
    • This allows you time to assign the tasks to your personnel while giving consideration to staffing levels and workload.

• **Be Prepared:**
  • Be sure to consult varies calendars before agree to an audit time frame.
  • Ask about the number of onsite audit team members and reserve space for them to work throughout the agreed upon time frame.
AUDIT

FACTS

CONTROL

METHODS

RISKS

MANAGEMENT

PLANNING
During the Audit

- Have Key People Available
- Have Adequate Space Reserved
- Keep lines of communication open.
- Check on the status:
  - You want to know of any problems that have been discovered.
    - You may be able to resolve problems straightaway.
    - You will be aware and knowledgeable.
    - Avoids surprises at the exit conference.
AND WE ARE BACK TO THE EXIT CONFERENCE
Although this may seem to be an overwhelming task list, it does not apply to each organization and it does not need to be 100% implemented. This is merely a guideline for becoming more proactive and less reactive when it comes to the annual audit.