

State of Connecticut - Office of Policy and Management
Best Practices Guide - Facilitating a Timely Audit

The objective of this Guide is to assist municipalities in the preparation of reliable and complete financial information to promote the timely issuance of the annual audited financial statements. The Best Practices Guide can assist management to facilitate an efficient and effective audit. This Guide can also be used by other local governments and nonprofit organizations in planning for the timely completion of their audits.

Planning for an audit should be treated as a year-long process. Municipalities should ensure that their schedules and reconciliations are kept up to date throughout the year to preclude excessive time to prepare for the year end audit.

The following recommended practices can be used as a tool to assist a municipality in planning for a timely audit. The practices cited are intended for the Municipality and its Board of Education (unless not applicable). Each practice is followed by a short checklist to assess whether the recommended practice has been implemented. A “no” answer can affect the timing of the completion of the audit and should be corrected as quickly as possible.

This Guide provides a high-level review of assessing whether key practices have been implemented to promote the likelihood of a timely audit. Each of the three supplements to this Guide provide a more detailed review of several important areas that can affect the audit. The supplements are not meant to be all-inclusive.

- Supplement # 1 - Finance Office Calendar of the key tasks that the finance office should be performing during the year to prevent significant delays in the completion of the annual audit.
- Supplement # 2 - Policies and Procedures Checklist for assessing, developing, and strengthening written internal controls procedures within a municipality.
- Supplement # 3 - Audit Preparedness Checklist to assist municipalities in effectively managing the financial reporting and the audit process.

➤ **Perform Planning Activities**

Purpose: To review the municipality’s procedures for the preparation of financial statements, address potential problems regarding the upcoming audit and to implement “lessons learned” from the prior year’s audit.

		Yes	No
1.	Does the municipality have the staffing in place with the necessary skills and experience to facilitate the production of accurate and timely financial information for the audit?	<input type="checkbox"/>	<input type="checkbox"/>
2.	If no, is there a plan in place to mitigate/resolve the staffing resource issue to ensure that the audit will be issued by the required annual filing date?	<input type="checkbox"/>	<input type="checkbox"/>
3.	Does the municipality have written policies and procedures to set clear expectations for the finance department? (see Supplement 2 to this Guide)	<input type="checkbox"/>	<input type="checkbox"/>
4.	If the municipality did not submit its prior year audit report by the December 31 st due date, has the municipality reviewed the reasons for the late audit submission?	<input type="checkbox"/>	<input type="checkbox"/>
5.	Have the reasons for the late audit submission been corrected?	<input type="checkbox"/>	<input type="checkbox"/>
6.	Did the municipality review the status of its prior year audit findings and have corrective actions been made in order to resolve the audit findings?	<input type="checkbox"/>	<input type="checkbox"/>
7.	Did the municipality implement new accounting standards for the fiscal year, and discuss with their auditors the impact on reporting for the upcoming audit?	<input type="checkbox"/>	<input type="checkbox"/>

➤ **Develop a Financial Statement Preparation and Audit Schedule**

Purpose: To document the municipality's common understanding of the audit process and to provide accountability by which to measure progress.

		Yes	No
1.	Has the municipality established internal timelines for closing its books and reconciling account balances and have responsibilities been assigned to the appropriate staff person?	<input type="checkbox"/>	<input type="checkbox"/>
2.	Has the municipality established internal timelines for preparing its year end trial balance and other supporting documentation and have responsibilities been assigned to the appropriate staff person?	<input type="checkbox"/>	<input type="checkbox"/>
Remarks: Consider whether certain year-end entries can be accelerated to quarterly or possibly a 9 plus 3 month structure.			
3.	Has the municipality established internal timelines to complete auditor requested information that coincides with the audit schedule? (commonly referred to as the Prepared by Client (PBC) List – see Supplement #3)	<input type="checkbox"/>	<input type="checkbox"/>
4.	Has the municipality identified key municipal staff or liaisons responsible for the established deliverables to the auditor?	<input type="checkbox"/>	<input type="checkbox"/>
5.	Has the municipality established internal timelines with external or third parties to facilitate financial information confirmations (banking, investments, and other), management and legal representation letters, actuarial information, insurance information, etc.?	<input type="checkbox"/>	<input type="checkbox"/>
Remarks: Assess throughout the year whether internal timelines are being met for accounting entries and accounting procedures including reconciliations by tracking completion dates. If the timelines established are not being met, determine the reasons. If staffing shortage is determined, consider retaining temporary staff or external assistance as soon as possible until permanent staffing is retained.			

➤ **Prepare Interim Financial Reports and Monitor for Accuracy**

Purpose: To facilitate early identification of potential problems and reduce the effect on year-end workloads.

Interim financial reporting can contribute significantly to the timely completion of the financial statement audit. Close monitoring of the interim financial reports should be performed on a regular basis for inaccurate or incomplete information. A detailed review of the interim reports should be made especially where a new financial accounting system was implemented or if significant auditor adjustments were made in the prior year's audit.

		Yes	No
1.	Are interim financial statements produced on a periodic basis?	<input type="checkbox"/>	<input type="checkbox"/>
2.	Are the interim financial statements reviewed by finance office staff for incorrect reporting or other issues that may affect the financial statement balances?	<input type="checkbox"/>	<input type="checkbox"/>
3.	If errors were identified with the interim financial statements, were corrective actions taken to ensure accurate financial reporting?	<input type="checkbox"/>	<input type="checkbox"/>
4.	Was Board of Education financial information made available in time for inclusion in the interim financial reports?	<input type="checkbox"/>	<input type="checkbox"/>

➤ **Develop a Timeline/Calendar for Key Accounting and Financial Reporting Tasks**

Purpose: To ensure that key tasks are being performed during the fiscal year to prevent significant delays in the completion of the annual audit. These tasks may be directly related to the audit or indirectly related where the unattended tasks can cause delays in the completion of the audit.

See Supplement #1 – Finance Office Calendar

➤ **Review Policies and Procedures**

Purpose: Management should be aware that there is no “one size fits all” set of financial policies and procedures. Policies and procedures should be tailored to meet the municipality’s particular needs and circumstances. All municipalities should develop and adopt a written comprehensive financial policies and procedures manual and update such a manual as needed.

See Supplement #2 – Policies and Procedures Checklist

➤ **Manage the Financial Reporting and Audit Process**

Purpose: Management should ensure that it is creating an environment for the timely issuance of the audited financial statements by effectively managing the financial reporting and audit process.

See Supplement #3 – Audit Preparedness Checklist

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