



Office of the Controller, Internal Audit Division Audit Services Flyer 2010 – 2011

Division of Internal Audit of the Controllers Office of Montgomery County PA

The Internal Audit Division of the Office of the Controller of Montgomery County PA conducts periodic audits of Row Offices, Tax Collectors, County Departments and various other County functions as necessary. We recognize the Institute of Internal Auditors (IIA) as the authoritative body for a program of internal auditing. We work with the Standards for the Professional Practice of Internal Auditing, Generally Accepted Government Auditing Standards (GAGAS), the Certified Internal Auditor Code of Professional Ethics, and Generally Accepted Accounting Principles in the United States (GAAP US).

Definition of Internal Audit

The Institute of Internal Auditors (IIA) Standard as of January 2002 defines Internal Auditing as follows: “An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

What to Expect During an Audit

Our audit process generally follows the 10 step procedure outlined below:

- 1. Initial Notification**
- 2. Planning Phase**
- 3. Entrance Meeting**
- 4. Fieldwork & Testing Phase**
- 5. On-going Communications**
- 6. Report Drafting**
- 7. Management Response**
- 8. Exit Meeting**
- 9. Final Report Distribution**
- 10. Follow-up Meeting & Processing**

1. Initial Notification

First, you will receive a letter to inform you of an upcoming audit. The *Auditor in Charge* will send you a preliminary audit request list. This is a request list of documents that will help the auditors learn about your unit before planning the audit (e.g. organization charts, financial reports, bank account listings, etc.).

2. Planning Phase

After reviewing the information you provide, the *Auditor in Charge* will start the planning phase of the audit. This includes holding a meeting with your operational staff to complete an Internal Control Questionnaire. The auditor will also draft a preliminary Audit Program, and schedule the Entrance Meeting.

3. Entrance Meeting

The Entrance Meeting indicates the official kick-off of testing, and should include the Sr. Manager and any operations and/or administrative staff that may be involved in the audit. During the Entrance Meeting, the scope of the audit will be discussed. This is also an opportunity for Management to ask the Auditors to review any areas of concern. The time frame of the audit will be determined, and any potential timing conflicts will be discussed that may impact the audit (e.g. vacations, deadlines, department busy times).

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4. Fieldwork & Testing Phase

After the Entrance Meeting, the *Auditor In Charge* will finalize the Audit Program and Fieldwork begins, which, generally includes the following: Meeting and talking with staff, reviewing policy & procedure manuals, learning about the business unit processes, obtaining supporting documentation, testing for compliance with certain provisions of laws, regulations, contracts, and grant agreements, and assessing the adequacy of internal controls. You should make your staff aware that the Auditor will be scheduling meetings with them.

5. On-going Communication

Throughout the process, the *Auditor in Charge* will keep you informed, and you will have an opportunity to discuss and confirm Findings noted as they are discovered and the possible solutions.

6. Report Drafting

After testing is completed, the *Auditor in Charge* prepares the appropriate Draft Audit Reports. We generally issue two main types of audit reports as follows:

- I. Independent Auditor Report on Financial Statements**, which includes the following:
 - Opinion Statement
 - Balance Sheet
 - Statement of Receipts, Disbursements, Changes in Cash Balances, and
 - Notes to the Financial Statements

- II. Independent Auditor Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards**, which includes the following:
 - a. Reference to the applicable Financial Statement Report
 - b. Auditor's Report
 - c. Schedule of Findings and Recommendations
 - d. Management Responses

7. Management Response

While drafting the Audit Report, when applicable, we will provide you with a copy of all draft Findings and request a management response for each. Management Response consists of 4 components: (1) whether you agree or disagree (2) your action plan to correct the Finding, (3) Person responsible for remediation, and (4) expected completion date. We will incorporate your Management Responses to the Draft Report.

8. Exit Conference

An Exit Conference will be held so that everyone can discuss the Draft Audit Report and review your Management Responses. This is an opportunity to discuss how the audit went and any remaining issues.

9. Report Distribution

The Final Report is then distributed electronically to the individuals identified on the related Distribution Listing. We also distribute a Post Audit Survey to the audited unit to solicit feedback about the audit. Feedback is important to us, since it can help us improve the audit process.

10. Follow-Up

We generally perform Follow-up reporting quarterly. Follow-up reviews are performed on an issue-by-issue basis and typically occur shortly after the target completion date, so that agreed-upon corrections can be implemented. The purpose of the Follow-up is to verify that you have implemented the agreed-upon corrective actions. The Auditor may interview staff, perform tests, or review new procedures to perform the verification. You will then receive a letter from the Auditor indicating whether you have satisfactorily corrected all problems or whether further actions are necessary. If further corrective action is required, you will need to write a Management Response. Otherwise, the issue will be reported as resolved.