

**External  
Audits:  
When and  
Why?**



# Topics

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External Audit Definition, Responsibilities, and Why?



City and Component Unit External Audits



Departmental Preparedness



Finance Department Staff as a Resource



External Audits Outputs and Timing



External Audits Annual Monthly Timeline

# What is an External Audit?

Process of **independent evaluation** of financial statements by a qualified **independent third party**.

External auditors **assess, review, sample/test transactions** of accounting records to determine **completeness and accuracy**. Result to **express their opinion**.

*“The external auditors opine as to whether the internally prepared financial statements present fairly, in all material respects in accordance with applicable accounting standards and regulations.”*

- *US Generally Accepted Accounting Principles (GAAP)*
- *Governmental Accounting Standards Board (GASB)*

# External Audit Staff and Responsibilities



**AUDITOR(s):** **Planning** (Timing, Scope, Risk Assessment, Audit Strategy, Allocating Tasks to a Skilled Team), **Evidence Gathering** (Testing Internal Controls, Performing Substantive Testing and Analytical Procedures), **Completion** Opinion



**CITY STAFF:** Move as effectively and efficiently through the external audits (**fully prepared when the external audit team arrives**).

# Why Externally Audit the City?

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**WHAT'S REQUIRED:** A clean and timely opinion without material weaknesses identified within the Annual Comprehensive Financial Report (ACFR)

**Important-**Management is safeguarding the City's financial assets, regulatory compliance, and reporting the City's financial position

- ❖ RATING AGENCIES
- ❖ INVESTORS
- ❖ RESIDENTS
- ❖ GRANTORS



# City and Component Unit External Audits

Annually	Periodically
Citywide, Water, Transit, Sewer/Storm, Single Audit/Grants, PHMDC, TIFs	State agencies (DOT, DHS)
CDA, Library, Olbrich, and Parks Foundations	Federal agencies (IRS)

# Departmental Preparedness

Participate in Risk Assessment(s) and analysis

Review and update documented internal control procedures

Follow GAAP, GASB, and other regulations

Ensure all financial transactions are complete, accurate, and timely within the systems of record

Annotate significant and/or material transactions when compared to the prior year

Prepare a complete set of financial statements

Management level reviews done for the complete set of financial statements

Prepare and respond to external auditor requests

Staff readily available to entertain the external audit teams

Ensure the financial reporting requirements and other outputs are done timely

Communicate the external audit results and financial reporting requirements and outputs

Remit payment for the external audit services

Evaluate, seek feedback, and execute continual improvements

Start back assessing risk

# Finance Department Staff-Resource

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Prepare	Prepare financial statement transactions for GASB pronouncements and most funds <ul style="list-style-type: none"><li>• GASB-34, GASB-39, GASB-54, GASB-68, GASB-74, GASB-87, GASB-96</li></ul>
Administer	Administer major systems of record and provide training <ul style="list-style-type: none"><li>• Tyler MUNIS and CaseWare</li></ul>
Serve	Serve as liaison to the external audit firm and teams <ul style="list-style-type: none"><li>• Provide timing, guidelines, documentation, and monitor progress</li></ul>
Prepare and issue	Prepare and issue the Annual Comprehensive Financial Report (ACFR)
Submit	Submit the ACFR to the Government Finance Officers Association (GFOA)
Present	Present the ACFR (Financial Advisors, Rating Agencies, General Public-Investors)
Disseminate	Disseminate the ACFR via the City's website



Outputs	Timing
Olbrich Foundation & Olbrich Botanical Society	4/30
Library Foundation	4/30
Parks Foundation	4/30
Form C DOR	5/1
External Audit Opinion Letter	6/30
Annual Comprehensive Financial Report	6/30
Business Improvement District	6/30
CDA	6/30
Transit Utility Financial Report	6/30
Water Utility Financial Report	6/30
Report on Federal & State Awards (Single Audit)	6/30
Public Health Madison and Dane County Financial Report	6/30
Tax Incremental Districts (TIDs) Financial Reports	7/30

# External Audit Outputs and Timing

# External Audits-Annual Monthly Timeline

