

Understanding the Audit Process



Frederick County
Internal Audit Division

This is a short discussion of the audit process including:

- The purpose of an audit
- How your area is selected for review
- The audit process
- The report process
- Audit Follow-Up

Audit Purpose

The Internal Audit Division's primary mission is to conduct audits and/or special studies to benefit the citizens of Frederick County and the management of Frederick County Government, Frederick County Public Schools, and Frederick Community College. The goal of the audit process is to promote effective program administration and financial management, and to ensure integrity in governance. The primary purpose of an audit is to evaluate operations with a view towards improving future performance.

The audit report, which is a joint effort of both the agency and the auditor, is the end result of the audit process. Recommendations from the report can be used as a basis for adjusting policies, priorities, or procedures in order to make operations as efficient, economical and effective as possible.

All audits are conducted in accordance with government auditing standards; and, as applicable, in compliance with Federal, State and local laws and regulations.

Selection of Audits

Internal Audit's priorities are documented in the annual performance audit workplan. Selection criteria are determined by a combination of factors including:

- The risk assessment process
- Suggestions from elected officials, interested parties, and agencies
- Prior audit coverage
- Statutory, regulatory, and contractual requirements

Audit Process

Audit Notification: In most cases agencies will be notified prior to the scheduled start date of an audit or review. Exceptions to this procedure may include surprise cash audits or requests from management.

Entrance Interview: At the beginning of each audit, the auditor(s) meets with agency management and staff to discuss the audit scope and objectives. Other areas usually covered include estimated time frames for completing the audit; access to required records, information and personnel; and management designation of a contact person for coordination purposes. Internal Audit will also ask for and consider management's suggestions for additional objectives to include in the audit or potential areas that may warrant special review.

Performing the Audit: During the audit process, the auditor(s) will obtain background information such as agency mission and goals, internal control structure, and staff responsibilities through interviews with agency staff and reviews of standard operating procedures. Based on this information, the auditor(s) develops detailed examination and verification procedures and performs tests and evaluations to accomplish the agreed upon objectives of the audit.

Keeping Management Informed: During the audit, the auditor(s) will keep management informed of findings and/or concerns as they develop through discussions and meetings. These discussions serve two purposes:

- Provide an opportunity for the agency to clarify the auditor's understanding of the facts and circumstances surrounding the finding(s) and to correct misunderstandings and inaccuracies
- Provide management with notice of areas where improvements may be needed so they can take corrective action as soon as possible

If significant issues arise during the audit process, we will notify the appropriate level of management in writing.

Exit Conference: The purpose of the exit conference is to communicate audit results to management and to obtain management's comments on proposed findings and recommendations before the draft audit report is issued. The issues presented at the exit conference may have been previously discussed with management. This is management's last opportunity to comment on the findings and recommendations prior to issuance of the draft report and their input is important to ensure that the audit results are fairly presented and that recommendations are reasonable and free of any errors or misrepresentations. After the exit conference, management is asked to respond to the findings and recommendations in writing.

Audit Reports

Discussion Draft: This report is submitted to the agency management prior to the exit conference. It is designed to assure that facts and findings have been clearly stated, and provides an opportunity for management to correct any errors prior to issuance of the draft report.

Draft Report: This report is issued to the auditee requesting a written response to any audit findings and recommendations.

Final Report: The proposed final report, including management's response to the draft report, is submitted to the Interagency Internal Audit Authority (IIAA) for approval. Management is invited to the meeting when the proposed report is discussed. The report becomes final after the IIAA approves it. Unless restricted by law, once approved, the report becomes public information and will be placed on our website.

Audit Follow-Up

Six months after the final audit report is issued a memorandum is sent to the agency requesting that they prepare a status report of corrective actions taken and provide any support that provides evidence that recommendations have been implemented. This process is repeated every 6 months. Recommendations not implemented within one year of the report will be brought to the attention of the IIAA. Follow-up audits will be conducted when necessary.