

"What to Expect from an Audit"

A Proposed Letter to the Auditee by Ralph Timleck

To be modified to fit the structure and type of your organization.

Audits are performed for two primary audiences. First, the Management Committee and the Audit Committee have an obligation to the shareholders and all stakeholders to ensure that an adequate and appropriate system of controls is in place within the organization. Audit testing helps the Management Committee and the Audit Committee fulfill this responsibility by providing them with assurance that:

- Assets are safeguarded and their use properly accounted for
- Accurate financial and managerial controls exist and function properly
- Recommendations are made for appropriate improvements in controls
- Management plans, policies and procedures are carried out and executed efficiently and effectively

Second, for the manager and staff within a function, Audit provides an objective review of the function's operations. The review of the processes within a function, together with Audit's past experience with similar functions or processes, may allow Audit to identify opportunities to streamline processes. These opportunities will be discussed with staff within the function to ensure they represent practical suggestions.

Auditors have significant knowledge about controls and control systems. They also tend to have a lot of general knowledge about the operations of any given function. However, an audit of your function will rely on you, to a great extent, because you are the experts on your operations. The amount of your time we require should not be great, but your cooperation and assistance are vital – they may greatly affect the amount of time an audit takes, and the quality of the final audit results.

The staff within the function being audited will have an opportunity to provide their input before any final report is issued. Audit's ultimate goal is to produce a report that is factually correct and provides practical recommendations to deal with real problems. Therefore, all findings will be discussed with the appropriate staff to ensure that there are no factual errors, incorrect assumptions, or misunderstandings. Because we are not the experts on your particular function, we want to hear your input on our findings and ensure there are not mitigating factors we were unaware of.

After we are satisfied with the validity of our findings, we again want your input. We will make recommendations in a draft report covering what we feel could be done to address any particular finding. However, you are not bound by our recommendations. You are expected to develop an action plan to address the findings. Your action plans may incorporate all, some, or none of our recommendations. As long as your action plan addresses the underlying issue, you have the freedom to decide what action you feel is most appropriate. Your response will be included in the final audit report, and should identify what you intend to do, who will be responsible for doing it, and the timeframe (quarter, year) you intend to do it in.

An audit is a cooperative effort, with the ultimate goal being to ensure that the organization is running as efficiently and effectively as possible, within an environment that is appropriately controlled. If you have any additional questions or concerns, we strongly encourage you to contact any of the Audit personnel. They'd be happy to answer any questions you might have.