



CPAs AND ADVISORS



Presentation to Santa Monica Audit Subcommittee

August 23, 2017

Focused
on YOU



Audit Responsibilities and Process

- LSL has been engaged by the City to perform a *financial audit* and to assist in preparing your Comprehensive Annual Financial Report (CAFR).
- Testing of account balances
- Consider your current internal controls
- Internal controls are those policies and procedures in place to safeguard the assets of the City and to prevent, detect and correct any material errors arising in the accounting system of the City.



Audits to be Performed

- City CAFR Audit
- Big Blue Bus Audit
- Federal NTD Report
- Air Quality Management District (AQMD) Audit (in progress)
- Federal Single Audit



Audit Process and Report

- Interim Audit (April)
 - Planning
 - Inquiry and documentation
 - Internal controls
- Year-End Audit (September)
 - Account analysis
 - Confirmations and Cut-off procedures
 - GASB 68 Testwork
- Comprehensive Annual Financial Report
 - Introductory Section (Transmittal Letter)
 - Financial Section (Audit Report, MD&A, Statements and Footnotes)
 - Statistical Section



The Financial Audit and Reasonable Assurance

- The goal of the financial audit is to obtain reasonable – not absolute – assurance that the financial statements are fairly presented.
- The concept of **reasonable assurance** means that auditors do not attempt to ensure that all data contained in financial statements are 100 percent accurate; rather, they seek to affirm (on a test basis) that the financial statements are free from **material misstatement**.



Statement of Auditing Standards (SAS) 114

- “our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects,”



Consideration of Fraud in a Financial Audit

The auditor's planned scope and timing of the audit includes obtaining the information needed to identify risks of material misstatement due to fraud.

In accordance with (SAS 99) we annually consider fraud risks which may materially affect the financial statements or result in a material noncompliance



Summary

- LSL has been engaged to perform a financial audit
- Other audits are: Big Blue Bus, Single Audit, Federal NTD Report and Air Quality Management
- SAS 114 requires auditor communication with those in charge with governance