

BULLETIN BOARD

What is an Independent Audit?

An audit is the process by which an independent accountant reviews a district's financial records and procedures in order to express an opinion of the fair presentation of the district's financial statements in all material aspects, in accordance with an applicable financial reporting framework, which enhances the degree of confidence that intended users can place on the financial statements. It's important to note that, while certain aspects of the audit explore internal controls, an audit is not designed to detect fraud.

For whom does the auditor work?

Auditors are contracted to work for the district and report to the board of education. As such, it's appropriate for board trustees to receive the auditor's report from the auditor, ask questions and have those questions answered by the auditor.

What do auditors do?

In conducting an audit, auditors test the accounting records, verify the balances indicated and prepare a report. This includes working with the district to complete a questionnaire on internal controls; conducting assessments of risk and controls; and testing the controls assessment and financial data. Ultimately, auditors report to the board on how fairly the financial statements are presented and to what extent the district complied with laws, regulations and Generally Accepted Accounting Principles (GAAP).

What is the district's role in an audit?

While the auditor generally prepares the audit report, the district is responsible for the preparation of the financial statements upon which the audit is based. The district's designated individual who prepares the financial statements must have the proper skills, knowledge, and experience (SKE) in order to fulfill this role to the satisfaction of the auditor. The district also needs to designate a qualified individual to be responsible for the oversight of the financial statements for the auditor (usually the business manager or the superintendent).

Terms

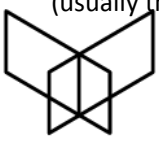
Fair Presentation of Financial Statements

-Financial statements that are free from material misstatements and faithfully represent the financial performance and position of the district.

GAAP - The common set of accounting principles, standards and procedures used to compile financial statements.

Independent – In the context of the audit, 'independent' refers to the fact that the auditor/CPA is not an employee of the school district but instead is retained through a contract for services. Auditors must be independent of both mind and appearance.

Internal Control – A plan of organization under which employees' duties are so arranged and records and procedures are so designed as to make it possible to exercise effective accounting control over assets, liabilities, revenues, and expenditures.



What is the board of education's role in an audit?

The Board of Education reviews and accepts the Auditor's Report. Board trustees should seek clarity on any questions or concerns from the auditor before accepting the audit. This preliminary work is sometimes done by committee – check your board policies to gain a better understanding of how this is handled in your school district. A board audit committee that meets directly with the auditor is desirable to provide for clear communication regarding the Auditor's Report. It is critical that all board members read the findings and recommendations found in both the Auditor's Report and the Single Audit Report. The board should also read and understand the Management Letter, if one is issued, from the auditor.

Is an audit required?

An independent audit is required annually by various state statutes as well as for some federal grant compliance reporting. An annual independent audit also helps to ensure healthy governance and demonstrates the school district's commitment to transparency.

