

WHAT TO EXPECT FROM A FINANCIAL AUDIT

We'd like to introduce you to the financial audit standards and practices we use to help you understand what to expect for a smooth, efficient audit process. You can visit our [website](#) for the detailed guide. We look forward to working with you.



OFFICE OF THE
Auditor General
of British Columbia

WHO IS THE AUDITOR GENERAL?

The Auditor General is a non-partisan, independent Officer of the Legislature who reports directly to the Legislative Assembly. The *Auditor General Act* empowers the Auditor General and Office to conduct audits, report findings and make recommendations.

The Act also states that the Auditor General must be given access to records, information and any explanations required from a person or organization for the Auditor General to perform his/her duties.

WHAT DOES THE AUDITOR GENERAL AUDIT?

The Auditor General audits ministries, Crown corporations and government organizations such as universities, colleges, school districts, health authorities, and organizations that are controlled by or accountable to the provincial government (collectively referred to as the government reporting entity [GRE]).

In some circumstances, the OAG may also audit entities outside the control of government. Every year, the OAG audits government's Summary Financial Statements. This is the largest financial statement audit conducted in British Columbia and involves about 150 separate government organizations.

WHAT IS A FINANCIAL AUDIT?

Financial audits communicate whether an organization's financial statements, as prepared by management, are fairly presented and free of material misstatements. These audits are designed to provide a reasonable degree of assurance and are conducted in accordance with Canadian generally accepted auditing standards (GAAS).

During the audit, we:

- ◆ examine evidence supporting the amounts and disclosures in the financial statements;
- ◆ assess the reasonableness and appropriateness of accounting policies used and estimates made; and
- ◆ evaluate the overall financial statement presentation.

We also consider (but do not provide assurance on) internal controls over financial reporting to:

- ◆ identify types of potential misstatements;
- ◆ consider factors that affect the risk of material misstatements; and
- ◆ design the nature, timing and extent of auditing procedures necessary to allow the Auditor General to express an opinion on the financial statements.

We also follow a similar process for ministries, although they do not prepare financial statements.

WHAT TO EXPECT FROM A FINANCIAL AUDIT

HOW TO PREPARE FOR A FINANCIAL AUDIT

To help meet the agreed upon objectives in the engagement letter, we will ask you to provide:

- ♦ draft financial statements, working papers and supporting information (we will provide you with a list at the start of the audit);
- ♦ ready access to key financial and line staff;
- ♦ short-term working space on your premises; and
- ♦ administrative help as mutually agreed upon.

We will meet with you to agree on a timeline for key dates and milestones that will lead to the delivery of the audit opinion. A senior member of our team will be in regular communication to ensure the audit runs smoothly and that there are no surprises for your organization or governing body.

THE AUDIT PROCESS

PRE-AUDIT PROCEDURES

Our three-year Financial Statement Audit Coverage Plan details our level of audit coverage for each entity in the GRE. For every entity we intend to audit, we provide an engagement letter detailing the audit objectives and scope, as well as our responsibilities and expectations of management.

PLANNING

During this phase, we gather financial information about your organization and inspect documents and reports. This information is used to assess the overall risks of possible misstatement in the financial statements and to create the audit plan.

CONDUCTING

We carry out various tests of account balances, significant transaction areas and disclosures in the notes to the financial statements. Examples include obtaining third party confirmations, performing statistical testing and analytical procedures, and reviewing supporting documentation. We evaluate the evidence obtained and compare it to the objectives determined in the planning phase to adjust our work, if needed, for any unplanned events or risks.

REPORTING

We provide an audit opinion on the financial statements to the Board of Directors and relevant minister. We also send a letter to management and the audit committee or equivalent, outlining any errors, issues or deficiencies encountered during the audit and recommendations for improvement.

WHAT YOU CAN EXPECT FROM US

PROFESSIONALISM

Professional behaviour from our staff throughout the audit process.

EXPERTISE

Our audit teams have many years of combined experience in public sector accounting and auditing. We keep up to date on and train our staff on the latest developments in the standards we use.

INDEPENDENCE

We take our independence very seriously. We are required to maintain our independence in accordance with office standards, and professional standards such as those of the Chartered Professional Accountants of Canada and British Columbia. We will confirm this in writing to you during the course of the audit.

CONFIDENTIALITY

As per the *Auditor General Act*, all the records generated during our work are permanently exempt from disclosure under the terms of the *Freedom of Information and Protection of Privacy Act*.

NO SURPRISES

We will keep you informed every step of the way, including clear and timely communication about significant accounting and audit issues.

VALUABLE FEEDBACK

Audits are an opportunity to gain insight into your organization, and aid in continuous improvement.