

What is an Audit?

New Officials Training

January 18, 2023



Mike Harmon
State Auditor

auditor.ky.gov



Agenda

- About the APA
- Auditee and Auditor Responsibilities
- Audit Process



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Auditor of Public Accounts (APA)

- Constitutionally separate, elected office
- Authority per KRS 43.050



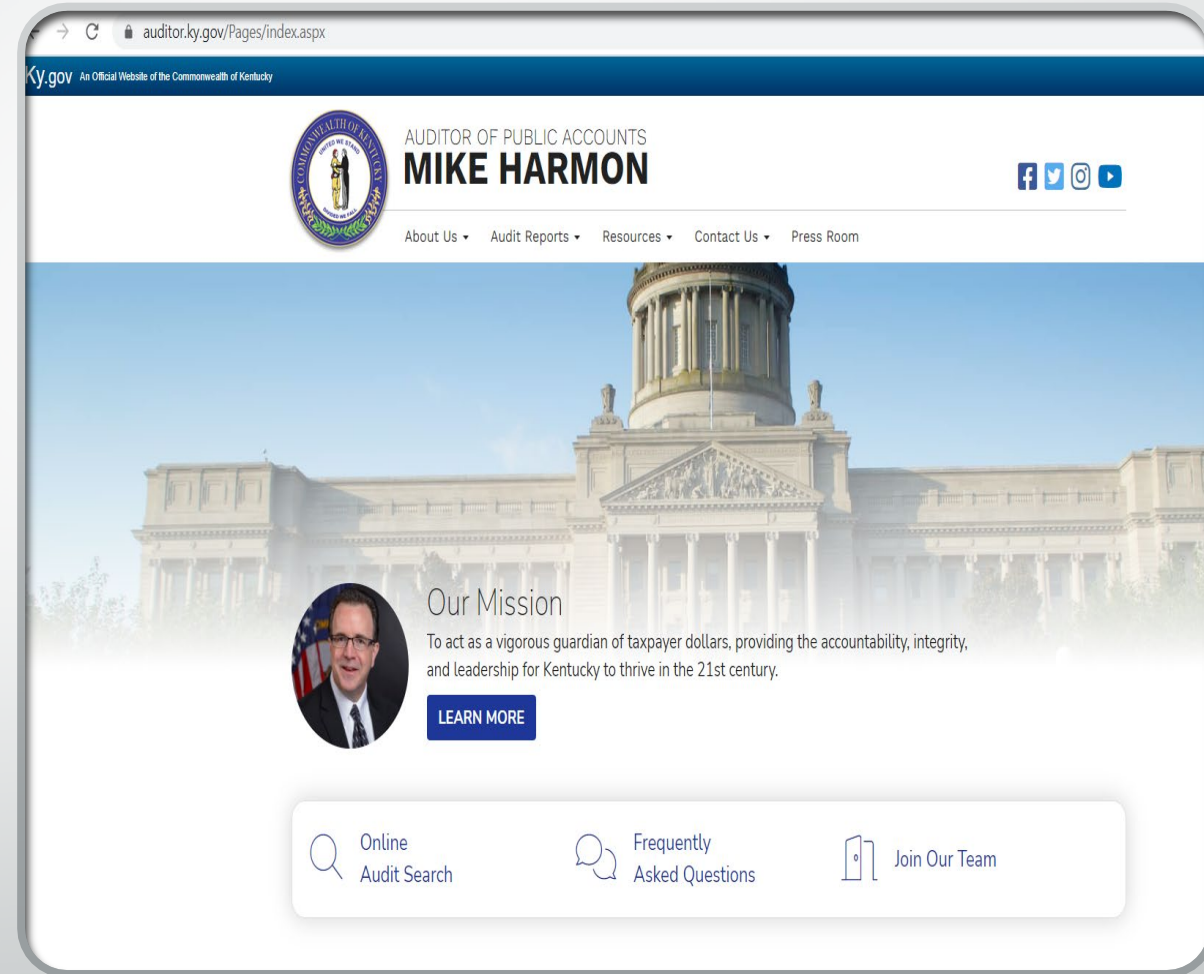
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Who we are

- Public servants
- County Branch covers all of the Commonwealth and is divided up into four regions – Central, Northeast, Southeast, West.
- [Auditor.ky.gov](http://auditor.ky.gov)



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What we do



KRS 43.070(1) – “the auditor shall audit annually the funds in the County Budget.”

Perform over 600 audits annually

Includes audits of – state agencies, fiscal courts, county sheriffs, county clerks



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What we cannot do

- Make decisions for your entity
- Advise you in hiring/firing/HR
- Review our own work
- Be part of your internal control system



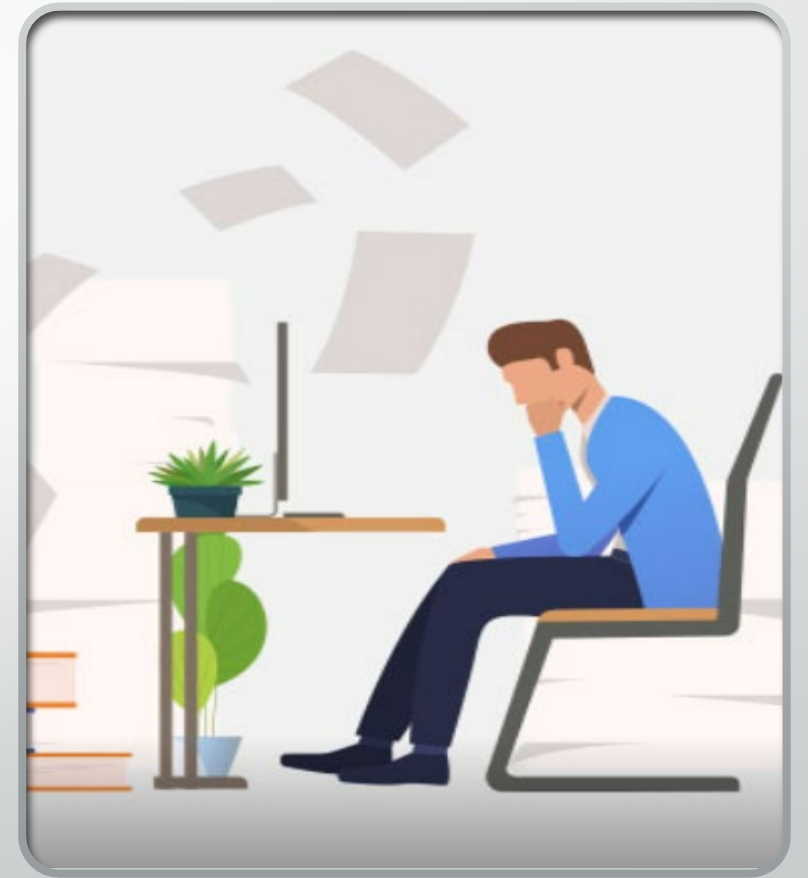
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What an audit is

- Independent review of financial information
- Opinion on if financial statement (4th Quarter Report) is materially accurate
- Sample of transactions
- Provides recommendations for management to improve processes
- Valuable management tool and service for the taxpayers



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What an audit is not.

- An audit doesn't check every transaction
- An audit doesn't confirm that everything is perfect
- You cannot ace an audit.
- It doesn't mean there isn't fraud
- Shouldn't think a clean opinion means you can relax controls or oversight.



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Newspaper Headline



Times-Tribune (Corbin)

Whitley County Clerk receives clean audit: Whitley County Clerk Carolyn Willis aced the state audit of her office's 2021 financial statement, according to a report release last week.

https://www.thetimestribune.com/news/whitley-county-clerk-receives-clean-audit/article_9c23f4f2-32eb-11ed-87ad-6bd586eceddd.html



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Three Main Users of an Audit

- Citizens/Taxpayers
 - Taxes paid vs services received. Publicly Accountable
- Legislative and Oversight Bodies
 - DLG, County Fiscal Court, Federal Granting Agencies, State Legislators
- Creditors
 - Lenders – Use to estimate the ability of entity to repay all loaned funds and related interest charges



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Your Responsibilities

- Preparation and fair presentation of the financial stmt (4th Quarter Report)
- Establish and maintain internal controls
- Design and implement controls to prevent and detect fraud.
- Ensure compliance with applicable laws and regulations
- Communicate with auditors.
- Provide auditors with access to all information and records relevant to financial stmt.



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Auditor Responsibilities

- Conduct audit in accordance with:
 - Auditing standards generally accepted in the U.S. (GAAS)
 - Standards for financial statement audits contained in Government Audit Standards
 - Audit Guides issued by APA
- Maintain independence
- Plan and perform audit to obtain reasonable assurance the financial stmt are free from material misstatement
- Evaluate accounting policies used by management and presentation of financial stmt
- Consideration and understanding of internal controls

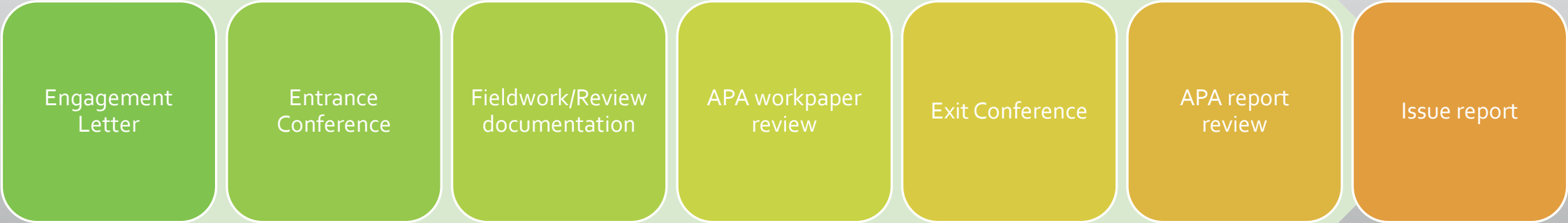


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Audit Process



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Questions?



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