

## **INTERNAL AUDIT PROCESS**

The following is a brief overview of the steps involved in the internal audit process:

### **Engagement Letter**

Prior to beginning an audit, the Auditor/Controller-Treasurer/Tax Collector will send an engagement letter to the Department Director. The primary purpose of the engagement letter is to ensure a clear understanding between the two parties regarding the engagement. This letter states the terms and conditions of the engagement, describes the scope of the work, and specifies the responsibilities of the client.

### **Entrance Conference**

At the beginning of an audit, the auditor will schedule a meeting (typically referred to as an entrance conference) with the Department. Department management or designated grant and/or program managers are asked to participate in this entrance conference to discuss the scope and objective of the audit, as well as the steps involved. Management is also asked to assign a contact person who may also serve as a liaison in assisting the auditors to obtain information, documentation, and to whom the auditor should communicate findings during the process, provided any are identified.

### **Planning and Preliminary Review**

During the planning phase of the engagement, the auditor will review various aspects of the department, grant, program, fund or system being audited. This review may include an assessment of the internal control structure, as well as a financial and operational analysis to assess audit risk and determine appropriate audit procedures to be performed. The auditor's review may also include reviewing organizational charts, state statutes, policies and procedures, agreements, management directives, and any other type of information or documentation that will help the auditor obtain a good understanding of the department being audited. This phase may also include obtaining information from the department through inquiries or interviews of departmental personnel.

### **Fieldwork**

During this phase of the audit, the audit team will inspect, analyze, and/or test transactions to provide reasonable assurance that audit objectives are met. Depending on the situation, the information and/or documentation received from the department may be confirmed by a third party. Any significant issues or potential findings identified during this phase will typically be relayed to the department's liaison to ensure proper communication and avoid surprises at the time the draft audit report is issued.

## **Draft Report and Exit Conference**

The audit report will include the auditor's conclusion with respect to the audit. It may also include a "Management Letter" describing audit findings and recommendations. Once a draft version of the audit report is prepared, the auditor will schedule a meeting (exit conference) with management to discuss the draft report including findings and recommendations. At this time, management may present additional evidence or new information that may change a finding or cause a modification to the report. Management is asked to prepare written responses to each of the findings. These responses will generally be incorporated in the final Management Letter, provided they are received in a timely manner.

## **Final Report and Presentation to Audit Committee**

Once approved, the final report will be presented to the Fresno County Audit Committee. During this presentation, management will have the opportunity to respond to the Audit Committee's inquiries or questions regarding the audit findings presented in the final report. The Audit Committee may direct management to return to a future Audit Committee Meeting to provide follow-up information on critical findings or other issues. The auditor will typically follow-up within 6 to 9 months to determine the resolution of the audit findings.