



## City of Riverside Finance Committee Meeting

June 12, 2019

Focused  
on YOU



## Audit Responsibilities and Process

- LSL has been engaged by the City to perform a **financial audit**.
- Testing of account balances
- Consideration of your current internal controls
- Internal controls are those policies and procedures in place to safeguard the assets of the City and to detect and correct any material errors arising in the accounting system of the City.



## Audit Process and Report

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

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## 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**.

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## 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,”

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## Internal Controls

- Auditors gain an understanding of a government’s internal controls as part of the effort to obtain evidence to support an opinion on the fair presentation of the financial statements.

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## Statement of Auditing Standards (SAS) 114

- “As part of our audit, we will consider the internal control of the City. Such considerations will be solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.”

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## 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

Ex: Interviews, analytical procedures in planning, risk factors (incentives/pressures, opportunities, attitudes)

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## Audit Opinion

- This audit work is all performed in order to render an “opinion” on the financial statements.
  - Management is responsible for the information in the statements
  - LSL’s opinion indicates the information is fairly stated in accordance with GAAP and is materially correct
- An “unmodified opinion” is the goal and is what the City has received in the past.

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## Summary

- LSL has been engaged to perform a financial audit
- SAS 114 requires communication with those in charge with governance
- Fraud (SAS 99) a consideration when conducting the audit
- An Audit Opinion will be rendered on the Comprehensive Annual Financial Report

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