

Appendix 5 – Specified Audit Procedures

If the procedures recommended throughout the year end process document are completed the additional work for this type of review will be minimal. The following outlines, high-level, the nature of the procedures and what should be prepared in general and for the sample selected, which you will be made aware of at a later date.

Ministry units selected may fall into one of three scenarios, which are outlined below:

1. Ministry units who are a client of one of the Finance department's regional office – The procedures to complete this audit will be undertaken in the regional finance office. Local staff will need to be available to provide supporting documentation and answer any questions that arise. Vacations must be avoided throughout the audit period.
2. Ministry units who have an audit of some of their programs by KPMG – The procedures to complete this audit will be coordinated through the external audit while the external auditors are on site. Local staff must ensure all supporting documents are available for inspection prior to the auditor's arrival.
3. Ministry units that are not clients of the Finance department and do not have an external audit performed – The specified audit procedures will be coordinated through THQ. You will be notified of any supporting documentation / information required at a later date. This information must be scanned and returned to THQ in a timely manner. Local staff will need to be available to answer any questions that arise during the audit. Vacations must be avoided throughout the audit period.

General Items to prepare

- Financial Statements (consolidated and by department)
- Detailed general ledger
- If your Ministry Unit already has an audit of a specific program, ensure to highlight this department to the auditor in order to avoid selections being made from this program. These specified procedures are only related to the non-audited programs at the Ministry Unit.

Revenue Testing

Revenue from Funding Agreements

Provide all funding agreements in excess of \$250,000. Provide a reconciliation of the funding agreement to the cash received and recorded as revenue in the general ledger.

Revenue (other than Thrift store, funding agreements over \$250K, and related party revenues)

The auditor will be selecting a sample of 5 revenue items. Supporting documentation for revenues should be prepared and provided to the auditor as follows:

Item Selected	Support Needed
General Donations	provide cash receipt support (i.e. copy of cheque, bank deposit) that reconciles to the item selected in the general ledger, letter/correspondence from donor and copy of tax receipt issued
Specified Donation	provide cash receipt support (i.e. copy of cheque, bank deposit) that reconciles to the item selected in the general ledger, letter/correspondence from donor and copy of tax receipt issued;
Kettle/Cartridge income	Provide bank deposit slip with corresponding bank statement showing deposit to the bank that reconciles to the item selected in the general ledger; provide any other support for the income (i.e. slip signed by the individuals who counted the funds or collected the funds)
Grants	Funding agreement, and cash receipt support that reconciles to the item selected in the general ledger
Any other income item	Provide a document to support the nature of the funds and bank deposit slip with corresponding bank statement showing deposit to the bank that reconciles to the item selected in the general ledger

Thrift Store Sales

If the Ministry Unit has a Thrift Store(s) then provide the auditor with the following:

- A. Documentation of the process including the following items:
 - What is the process for recording thrift store sales? Ensure to include the process from beginning to end.
 - What are the controls in place to ensure sales are accurately recorded in the general ledger?
 - Are any reconciliations completed on a weekly basis to reconcile the sales with the bank deposits? Are these reconciliations reviewed? If so please provide an example.
 - Are any analytical reviews completed by the Ministry Unit on a weekly/monthly/yearly basis? For instance are sales reports prepared and reviewed? If so please provide an example
 - How are cost of sales recorded in the general ledger?
- B. The auditors will be selecting 5 thrift store sales items posted in the General Ledger. Please provide the auditors with:

- Supporting documentation for the item selected (for example provide the Daily (or Weekly) Sales Summary which shows where the amount posted in the GL comes from.
- Provide the bank statement showing the funds collected for that sale (item selected in GL will be combined with total sales for the day). Ensure to show the auditor the path from the Daily (weekly) Sales Summary to the bank statement.
- You may also provide additional documents such as bank deposit slip, credit card statement if needed.
- If there is a short payment or over payment for the day then provide the posting to the GL for where the over/under payment was recorded

Expense Testing

Payroll Expense

Provide a reconciliation between the budgeted payroll expense to the actual payroll expense. Also, have the Divisional Secretary send (electronically) to the auditor the approved budget. The reconciling items showing the change from the budgeted payroll expense to the actual payroll expense should be explained with supporting documentation (letter of employment, termination letter, notice of increase). Please have this information ready for the auditors.

An example of a reconciling item is if there was an additional employee hired during the year that was not budgeted for. You would provide their approved new hire form. The reconciling item on the reconciliation would be their salary received during the fiscal year.

Rent Expense

If your unit is leasing a property (including leases for thrift stores), please provide a copy of the signed lease agreement. Also include a reconciliation between the rental expense in the general ledger to the lease agreement.

Gift In Kind Donations

For units with Gift In Kind Donations, identify which accounts are used to record the revenue of Gifts in Kind.

Expenses (other than Rent, Payroll and Related Party Transactions)

The local auditor will be selecting a sample of 5 expense items. Supporting documentation should be prepared and provided to the auditor. Supporting documentation includes a copy of cheque and corresponding invoice (or other correspondence supporting the amount and type of expense) that reconciles to the item selected in the general ledger

Other Notes:

Item selected comprised of multiple items:

If there is a revenue or expense item selected from the general ledger detail which is an item comprised of multiple items (such as a batch entry): provide the summary which shows all the items which make up the item selected. From the summary we will select a sample for further support to be obtained. Provide this listing as soon as possible in order for us to make the selection.

General audit queries

Furthermore, the auditors will be doing analysis on both the balance sheet and income statement which may result in further inquiries that may require a response from management, additional support or both. It is expected the testing and audit process should take anywhere from 2-3 days. To ensure a smooth process, all documentation must be available for the auditors review upon their arrival.