



## Plodzik & Sanderson, P.A.

*Certified Public Accountants*

### Understanding How an Annual Independent Audit is Conducted

---

An independent audit of a local government involves several key steps to ensure transparency, accountability, and compliance with policies, procedures, and regulations. Here is an overview of the process:

1. **Planning:** The audit begins with planning, where the auditor defines the scope and objectives of the audit. This includes understanding the town's operations, assessment of risk, development of an audit approach/plan and setting timelines.
2. **Data Gathering:** The auditor collects data through interviews, document reviews, and observations. This step involves examining financial records, policies, procedures, and other relevant documents.
3. **Testing:** The performance of audit procedures to evaluate the effectiveness of internal controls and verify the accuracy of financial records. This may include sampling transactions, reconciling accounts, and assessing compliance with laws and regulations.
4. **Evaluation:** The auditor analyzes the gathered data to identify any discrepancies, unusual or unexpected results, or areas of non-compliance. These areas are reviewed with management for additional information and support. Conditions that require audit findings are reviewed by management who will acknowledge their receipt of the comment by signing, dating, and if they so choose provide feedback on the reported condition.
5. **Reporting:** The auditor prepares a draft report summarizing the findings, including any identified issues and recommendations for improvement. This draft is shared with the town's management for feedback. Also, management is presented with a legal response template to send to the town's attorney. When satisfied with the presentation of the report, management will sign and date a draft approval form.
6. **Final Report:** After receiving the draft approval form and legal response from the town's attorney, the CPA Firm issues a final report. This report includes the auditor's conclusions, findings, and recommendations.

193 North Main Street, Concord, NH 03301  
170 South River Road, Box 9, Bedford, NH 03110  
633 Elm Street, Suite 103, Milford, NH 03055