



**Office of the Washington State Auditor
Pat McCarthy**

Audit Policy Manual

Policy 2120– Communicating Engagement Results

BACKGROUND

Effective two-way communication is an essential component of the audit process. Informing entity management during the engagement of any significant issues identified allows them to take appropriate action to address those issues on a timely basis, and prevents surprises when those issues are discussed at the formal exit conference with management and those charged with governance. It also gives entity management an early opportunity to provide additional clarification, information or documentation to support their positions if they disagree with the preliminary or final engagement results.

REQUIREMENTS

- ✓ 1. **During the audit, auditors will communicate with entity management about any significant issues they have identified.**

Significant issues will be discussed with entity management before the exit conference. Depending on the nature of those issues and when they are discovered, such communication will occur either as those issues are identified or at the completion of fieldwork. The audit manager and appropriate assistant director will determine whether to communicate significant issues to those charged with governance before the exit conference. If a known or potential fraud has been identified, auditors also will comply with the additional communication requirements in Audit Policy 1410 regarding fraud investigations.

- ✓ 2. **Auditors will encourage entity management to provide additional information and perspective if they disagree with an identified issue.**

If such disagreements arise during the engagement, auditors will encourage management to provide additional clarification, information or documentation to support the basis for their disagreements. Auditors will review those materials to assess whether they have any impact on the conclusions related to the engagement, and communicate the results of their assessment back to entity management on a timely basis. The audit manager will inform the appropriate assistant director about any significant or ongoing disagreements before the exit conference.

If the disagreement continues into the exit conference, the audit manager will encourage management to provide further additional information, if available, to support their position. After the exit conference, the auditor will review any new material provided, as described above, make any modifications warranted and notify management and those charged with governance on a timely basis about the results of this assessment.

- ✓ 3. **If the disagreement remains after the exit conference, the audit manager will inform the appropriate director and assistant director.**

The director and assistant director will determine whether additional steps are needed to communicate with the audited entity.

- ✓ 4. **If management continues to disagree with the issue being reported, auditors will encourage them to include their perspective in response to the audit finding or management letter.**

If management's response disagrees with an issue being reported and presents arguments to support current practice, auditors will again assess whether any changes are warranted, based on any new arguments or other evidence provided. If the auditor finds those arguments to be valid and supported with sufficient, appropriate evidence, the management letter or the audit finding and report will be modified, as necessary. Management responses will be handled as described in Part 5 of the ARS Manual.

RELATED POLICIES

Audit Policy 1410

REFERENCES

Government Auditing Standards (Yellow Book) ¶6.57-.60, 7.55-.58, 9.50-.53
Audit Reporting Standards Manual, Part 5, Chapters 2 and 7