

Module 11: The Audit Process

Video time allowed

4:45 minutes

Facilitator

Council president or other key council officer with assistance from the Scout executive

Learning objectives

This module focuses on the annual audit, the makeup of the audit committee, and the role of the independent auditor. It explains that the auditor will examine and evaluate internal controls, test a selection of financial transactions, and verify year-end balances. The module also explains the possible resulting opinions and how the council board should react to each.

After completing this module, board members should

- Understand that the annual audit, completed by an independent auditor, is a requirement of the bylaws.
- Understand the role and makeup of the audit committee.
- Understand what an auditor does in the scope of his or her responsibilities.
- Understand the difference between an unqualified, qualified, adverse, or disclaimer opinion, and the possible causes of each.
- Know that one copy of the audit and management letter must be submitted to the Finance Impact Department within six months of fiscal year-end or by June 1.

Materials needed

- Laptop, projector, and screen
- Council executive board handouts or binders—one for each participant—that can be printed in advance locally from the [online appendix](#)
- Whiteboard, flip chart, or overhead projector to facilitate discussion and presentation
- Use a copy of your council’s audit.

Introduction of Module 11

- The Scout executive should explain that this training focuses on board governance and the steps needed to ensure a financially stable council.
- Let them know that an independent annual audit is a big part of this process, and a good way to ensure the internal controls, transaction processes and recorded balances are all in check.

This module gives you a good idea of the audit process, the audit committee, and the opinions the auditors could write on our council—and how to respond to each of these.

Show Module 11.

Any questions?

- Ask if there are any questions and address them.

(Estimated discussion time will vary, based on the board level of experience and participation.)

The Audit Process

A True Story

- Read the following text:

Some years ago, a council missed having a completed audit for two years—because the auditor was a friend and neighbor of one of the board members and just signed off on it.

There was plenty wrong!

- No payroll tax payments
- Embezzlements
- And more
- It seems the bookkeeper had not paid payroll taxes for two years—and embezzled thousands of dollars.
- All of which would have been uncovered in a real audit done by an auditor chosen by the board after reviewing several candidates.
- What do you think happened next?
- (Start a discussion here—the goal is to get the audience to think of outcomes before you tell them.)

What happened?

- The federal government seized and froze this council's bank accounts to try to reclaim the back taxes plus interest, and this forced an investigation.
- Without an approved audit, the council was financially crippled and could not apply for foundation grants or engage in any other revenue-raising activities.
- Let participants know that they have plenty of resources to guide them through the audit process.
- (Explain the handout tools and conclude module.)