

Audit Timeliness - What Is It and Why Is It Important?

Guidance

Always consult the bond covenants or loan agreement to determine the specific definition and requirements for audit timeliness. This may or may not also involve consultations with your Financial Advisor and or bond counsel.

Definition

The specific definition and requirement for audit timeliness are included in the bond covenants or loan agreement, and usually in statutes as well. Because audit timeliness is usually based on statutory requirements, the need for timely audit completion does not disappear even if there is no debt currently outstanding to TWDB.

Depending on the type of entity involved, the days allowed in which to complete an audit vary from 120 days to 180 days after fiscal year end.

Note that Single Audits which may be required if federal funding is involved, have a separately determined due date. Federal Regulations (2 CFR 200 at <https://ecfr.io/Title-2/Part-200>) provide the timeliness requirement. Single Audits, if required, are generally due not later than 9 months after fiscal year end; however, earlier Single Audit due dates may be involved if the Annual Financial Report has been completed. If concerned, ask about applicable requirements.

Best practices

The Financial Compliance website will have suggested best practices available on this website:

“How to Obtain a Timely Audit”

Consult your Certified Public Accountant for guidance in completing a timely audit.

Assure that your CPA knows that statutory requirements may exist on audit timeliness which cannot be avoided or negotiated away.

Agree with your CPA what the due date is, and whether or not this completion date can be attained.

Complete negotiations and contractual requirements with your CPA not later than the fourth quarter of your fiscal year end. This allows timely communication of understandings and requirements to avoid delays.

Importance

Effective governance by a board of directors or city council is dependent in part on timely completion of audits by independent CPAs.

The absence of timely audits can significantly increase the risk that operational or strategic decisions are not made using quality information, or decisions may be delayed because quality information is not otherwise available. Solutions that may require reduction in expenditures and or increase in revenues may require more severe solutions simply because of the delay in implementing needed actions.

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Noncompliance

Any noncompliance can affect recommendations about the ability to continue applications for additional funding opportunities. Any lender is apt to be more cautious if a loan applicant cannot manage affairs according to statutory requirements or best practices.

If audits are delayed for any reason, it is always helpful to provide formal and or informal notice to Financial Compliance of delinquent audits regardless of the cause.

Questions?

Your Financial Advisor or bond counsel should be able to assist as needed. If we can assist, Financial Compliance can be reached at fmfinance@twdb.texas.gov or 512 463-6775.