

## Ask the External Auditor

1. Did you discuss any major accounting or auditing issues with management prior to your retention, your responses to which were, or might be considered to be, a condition to your retention?
2. What steps will be taken to ensure an orderly transition from the prior auditor (if there is a new auditor this year)?
3. What is the planned scope of your audit, i.e., will all of the subsidiaries be examined, what percentage of accounts receivable will be confirmed, how will you verify accounts payable? Will auditing procedures be rotated, i.e., financial statement areas, control testing, etc.?
4. Are there any subsidiaries or activities that will not be audited that present business or financial risk but are not viewed as "material?"
5. How can your planned audit scope be relied upon to detect material errors, fraud, illegal acts or material weaknesses in internal control?
6. How will the involvement of the internal auditor be coordinated with your audit?
7. Does the company use the services of other external auditors? What is the percentage of assets, revenues and net income for which they will be responsible? How will you determine the quality of their work? Will your report make reference to the other external auditors?
8. Are there any concerns with how management controls key business processes? Are the key processes appropriately identified?
9. Are there any areas where the company could be of greater assistance to reduce the amount of time spent by you?
10. Will your risk assessment of the internal control policies and procedures enable you to reduce audit tests?
11. What risk assessment techniques will you use?
12. What criteria do you use to determine materiality?
13. Will you utilize computer auditing techniques to review our computer processes?
14. Will you use statistical sampling?
15. How does the planned scope of your audit differ from the prior year?
16. How do you intend to staff the engagement? Will there be personnel continuity from the prior year? What is the expected level of participation by the engagement partner?
17. How do you plan to detect the existence of related party transactions?

18. Are there any proposed accounting, auditing or reporting rules that could materially affect the company's financial statements?
19. How do you ensure independence? Are there any matters that might reasonably be thought to bear on your independence?
20. What non-audit services do you provide the company and what are the approximate fees? How does performance of these services affect your independence?
21. Are there any unresolved questions from the prior year's audit?
22. Do you anticipate any special problems in this year's audit?
23. When do you expect to complete your audit?
24. Based on your present knowledge, what kind of opinion would you expect to render?

## **Ask the Internal Auditor**

1. Has management been responsive to your and the external auditor's findings and recommendations? What previous year internal control recommendations from either the external auditor or as a result of your procedures have not been adopted?
2. Were there any areas of concern that were not reviewed due to budget or other limitations?
3. Have your audits identified areas of concern to the overall corporate environment? Have any specific locations or areas been identified?
4. Does management give appropriate consideration to your views?
5. How would you assess the information systems control environment, including key business information systems?
6. How is security over these systems maintained?
7. What is your work plan for the coming months? Are any revisions necessary since this year's plan was established?
8. What work will you be doing to assist the external auditor?
9. Could this work be expanded for greater audit efficiency?
10. How do you monitor the company's policies and procedures to prevent improprieties?
11. What were the scope and results of internal audits this past year?

## **Ask Management**

1. Were there any major changes in operations this year?
2. Are there any areas that require special attention due to high business or financial risk?
3. What policies and procedures have you put in place to mitigate these risks?
4. What is the company's policy to deter conflicts of interest and illegal acts, and how is it monitored?
5. How does the company minimize the risk of fraudulent financial reporting?
6. Are there any major writedowns or other significant transactions that will affect the financial statements?
7. Were there any significant changes in accounting estimates or models in making accounting estimates? If yes, what changes were made and what is the financial statement effect?
8. Is the company contemplating any changes in accounting methods?
9. Should the committee be aware of any problems or legal difficulties?
10. What is the proposed audit fee for the current year and how does it compare to the prior year?