



**Town of Atherton
SPECIAL MEETING FINANCE COMMITTEE
AGENDA**

September 18, 2017

10:00 AM

TOWN COUNCIL CHAMBERS

94 Ashfield Road
Atherton, California

PLEASE NOTE: *Times listed on the Agenda are approximate; items may be taken up out of order.*

1. ROLL CALL

Bob Polito, Jeffrey Lee, Yogesh Amle, Ann Yvonne Walker, Devika Patil,
Michael Lempres, Cary Weist

Present: Polito, Lee, Walker, Patil, Weist

Excused: Lempres, Weist

Absent: Amle

2. PUBLIC COMMENT

No Public Comments

REGULAR AGENDA

- 3. Discussion of the Fiscal Year 2016/17 Preliminary Audit & Scope – Katherine Yuen, Auditor, Maze & Associates**
Staff opened the meeting by introducing Audit engagement partner Katherine Yuen. She is a partner with Maze & Associates and oversees the audit of our Town. Katherine is present to speak to the Finance Committee the required SAS 114 Communication regarding the Town audit and new GASB rules. The meeting is an audit requirement that stemmed from Enron and WorldComm companies collapse. Audit standards were changed and now include communication between the auditor and governing board. This now is a requirement of communication of the audit process. Katherine discussed that the process includes discuss of audit process to include Auditor's responsibilities under US Generally Accepted Auditing Standards. Also includes the concept of materiality in planning and executing the audit, the audit scope, audit timing, management representations and fraud considerations. Discussed that the auditors test the numbers in the financial statement and test that the numbers are accurate. They don't look at every number as they have formulas of percentages within areas they test.

Katherine discussed the audit scope which includes performing risk assessments such as segregation of duties. Depending on the assumptions of risk, is how they tailor their risk assessments. It was also discussed that they review transaction cycles and internal controls. This also includes communicating with banks or other agencies to ensure transactions or receipts were received. The auditor communicated that when testing internal controls they do not express an opinion in the audit finding. They do not opine on the internal controls, but they look at them. The auditor discussed they look and transactions and balances are tested, as well as they look at information systems review. Part of the audit includes performing compliance testing and transactions cycles testing.

The timing of the audit was discussed that they are here twice in the audit cycle. They were on site for interim audit April 2017, where during this phase they gain an understanding of the Town's internal controls and test them accordingly. They come back in November to audit the numbers prepared by management. Also discussed was management representations as the auditor does a lot of work with third party confirmations and account statements. They rely on the element representation of the management of the Town to do the audit. Katherine then proceeded to ask questions regarding of Fraud. There are two characterizations of fraud. One fraud of theft of assets or financial reporting, misstatement of accounting principles.

Standards questions of fraud were asked of the committee

- 1. Do you have any knowledge of any fraud or suspected fraud? If so, what steps were taken to investigate the incident and what was done to resolve the situation?**
- 2. Are there areas that you believe are "Susceptible to Fraud"? If so, what steps were taken to deter and detect fraud?**
- 3. Are you aware of any allegations of fraud or suspected fraud?**
- 4. Are you aware of any related party transactions?**

Committee answered no to the above questions.

The auditor and the committee continued to discuss the SAS 114.

4. Adjourn Motion by Mr. Lee, Seconded by Walker; All in Favor 10:39 am

 Please contact the City Clerk's office at (650) 752-0500 with any questions

Pursuant to the Americans with Disabilities Act, if you need special assistance in this meeting, please contact the Park Program Manager at (650) 752-0534. Notification of 48 hours prior to the meeting will enable the Town to make reasonable arrangements to ensure accessibility to this meeting. (29 CRF 35.104 ADA Title II)

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