

Sample City CITY
COMPLIANCE GUIDE

Purpose: To select compliance items to be tested and/or document testing.

Source: Workpapers as referenced.

Scope: Compliance items tested each year are based on risk assessment.

Conclusion: Compliance selection and/or testing is documented per Compliance Guide and workpapers.

	FY17	FY18	FY19
Incharge			
Manager			
Independent Reviewer			

Sample City **CITY COMPLIANCE GUIDE****Code Compliance Risk Assessment**

	FY17		FY18		FY19	
Compliance Area	Risk Factors **	Risk of Non-Compliance*	Risk Factors **	Risk of Non-Compliance*	Risk Factors **	Risk of Non-Compliance*
Audit Planning						
Cash						
Investments						
Capital Assets						
Long-Term Debt						
Fund Balance/Net Position						
Tax Increment Financing						
Receipts/Revenues						
Disbursements/Expenditures						
Payroll						
Transfers						
Budgets						
Insurance						

****Compliance Risk Factors:** (Include the applicable risk above.)

1.	Relatively simple compliance issues.	8.	New or amended compliance requirement.
2.	Personnel responsible for compliance are competent and experienced.	9.	New or poorly trained personnel.
3.	No comments regarding non-compliance noted in the prior year.	10.	Complexity of compliance issues likely to result in non-compliance.
4.		11.	Report comment regarding non-compliance noted in the prior year.
5.		12.	Non-report comment regarding non-compliance noted in the prior year.
6.		13.	
7.		14.	

***Risk of Non-Compliance:**

H	High
M	Moderate
L	Low

Code Compliance Risk Assessment

This compliance guide was developed to implement a risk-based approach to testing compliance requirements. In implementing a risk-based approach, compliance requirements will be selected to test based on the compliance risk assessment. To document the auditor's consideration of risk, a code compliance risk assessment form has been included in this guide.

Each compliance requirement in this guide has been placed into one of four categories. The categories are based on significance of the compliance requirements. The table below provides a description of each category.

Category	Description
Items which must be tested – required comments or public expectation of oversight.	
1	Test and document annually. (required statutory report comments)
2	Test on a rotating basis, at least every three years, based on risk assessment. Workpaper documentation required.
Inquiry with limited observation and documentation:	
3	Inquire about compliance only if considered necessary based on risk assessment. Document the City's response to inquiry and observation in remarks column. (If auditor becomes aware of non-compliance, it should be addressed).
Addendum:	
4	Items which are not considered to be significant – test if considered necessary based on risk assessment and specific audit situation (if auditor becomes aware of non-compliance in one of these areas, it should be addressed). If procedures are performed, include workpaper documentation, as necessary.

Procedures

- 1) Review prior year comments and enter "16" in the "Non-Compliance Noted/FY" column for each compliance requirement that had a comment.
- 2) Based on the risk of non-compliance set for each compliance area, indicate which procedures will be performed during the current year's audit with a tick mark in the "Selected" column. Keep in mind the audit approach to compliance may need to be revised based on information obtained during the course of the audit. If you are aware a compliance requirement does not apply, indicate "N/A" in the "Selected" column.
- 3) Perform compliance procedures as selected.
- 4) Enter "17" in the "Non-Compliance Noted/FY" column for each compliance requirement that had a comment.
- 5) Guide should be filed in the Permanent File for multiple year use.

2017 Revisions

- 1) Current year new or revised procedures have been noted as **(17)**.
- 2) No procedures have been deleted from the prior year guide.
- 3) In addition to this updated City Compliance Guide, we have made available a 2017 City Compliance Guide Supplement which details changes made to the prior year City Compliance Guide. The Supplement may be used to update the prior year Compliance Guide in lieu of completing a new guide each year.