

# Auditor Association with Financial Statements Posted on Websites

The original recommended practice was developed by the Government Finance Officers Association (GFOA). Some aspects of the practice have been revised by the Financial Management Capacity Building Committee (FMCBC) for use by Nova Scotia municipal governments. The original GFOA recommended practice is *Auditor Association with Financial Statements Included in Offering Statements or Posted on Websites*, approved in 2006. Other sources used are indicated in the text.

## Recommendations

The GFOA has been an advocate of local governments obtaining independent audits and the right to publish their audits. The GFOA recommends greater control for the municipality over the independent audit. Since the municipality has paid for the independent audit, the government owns the audited financial statements and should feel free to use them in any appropriate manner. Also, the independent auditor should not be permitted to create an essentially artificial ‘association’ with the audited financial statements included in offering statements or posted on the government’s website simply by inserting a clause in the audit contract. GFOA urges that such a clause is not included in a municipality’s audit contract. Furthermore, a municipality should take steps to avoid unwarranted delays and unjustified costs when the independent auditor does become associated with the financial statements. Lastly, the audit contract should clarify that the municipality is free to post its audited financial statements on its website.

## Purpose

The purpose of posting audited financial statements on a municipality’s website is to enhance accountability and accessibility. Audited financial statements should be made available to the public in a timely manner and in a consistent format.

## Background

Independent auditors are typically presumed disassociated with the financial statements, but a relationship can be created if the auditor takes several actions specified in the auditing standards. An auditor has no obligation to perform any procedures to substantiate any unaudited information. Enabling greater access to audited financial statements online can enhance accessibility to citizens and requires less effort to

disseminate the information. Lastly, by establishing online access to audited financial statements, a more efficient mechanism to reach a broad number of users has been created.

## Considerations for Policy Development

If a municipality is able to distribute audited financial statements to the public, it is able to post the same information on their website for the public to access. It is important to post audited financial statements on the municipality's website because this provides greater transparency and easier access for its citizens. Certain policies should be considered when posting audited financial statements on a municipality's website.

The GFOA recommends that governments comply with the following guidelines when presenting financial documents on their websites. For a complete discussion of each of the recommended guidelines, refer to the *Appendix I*.

- 1) The electronic auditing documents should be identical to the printed version.
- 2) Prior auditing reports should be posted on the website along with the current auditing report. The website should clearly segregate the past from present documents. A "library" or "archive section" of the website is advisable for this purpose.
- 3) The security of the website should be evaluated to protect it from manipulation by external or unauthorized persons.
- 4) A documented process for reviewing and approving any information posted on the website should be required to ensure the accuracy, consistency, and completeness of the information. Statements indicating the most recent date that the website has been updated should be posted.
- 5) It should be remembered that the primary audience is the public, so care should be taken to ensure that the organization, selection of information, and technology used to create the website will maximize its usefulness. The design of the website should be as user-friendly as possible. A website should also have a contact person, with a direct phone number provided, to answer questions or provide users with assistance.
- 6) Governments should develop a system of internal controls to ensure the accuracy, completeness, consistency, and freshness of information posted on the website.
- 7) Terms or conditions of use should be included on the website so that prior to accessing the information, users are aware of, or preferably required to acknowledge, the limits on how the website may be used and what obligations a government is undertaking by disclosing information on its website.
- 8) Governments should not use hyperlinks to other websites. Information on external websites may be inaccurate and/or incomplete. If hyperlinks are used, there should be an accompanying warning.

- 9) Firewall protection should be included on the website to prevent the municipality's website from being damaged, and to prevent users' from picking up a virus.
- 10) Note from auditor should be provided indicating authenticity of the online audit.

## **Appendices**

Appendix I: Elaboration on Considerations in Policy Developments

Appendix II: Example of Audits Posted on Municipal Website

## Appendix I: Elaboration on Considerations in Policy Developments

- 1) *The electronic auditing documents should be identical to the printed version.*

It is suggested that municipalities post auditing documents on their website in PDF format. PDF is presently the best format available because it is universal and easily searchable. A municipality should also place a link to the Adobe Acrobat Reader website so that users can download the software required to view the file. If the municipality does not want to provide the Adobe link, the document should also be available in HTML format.<sup>1</sup>

- 2) *Prior auditing reports should be posted on the website along with the current auditing report. The website should clearly segregate the past from present documents. A “library” or “archive section” of the website is advisable for this purpose.*

At a minimum the archived data should be made available for at least as many years as are presented in the audit. In order for accurate and reasonable comparison, up to three past years of audits should be included in addition to the current audit. The municipality should ensure that it has adequate web space available to present the required information. It is also recommended that the government ensure that the information presented on the website is updated regularly.<sup>2</sup>

- 3) *The security of the website should be evaluated to protect it from manipulation by external or unauthorized persons.*

The evaluation procedures and requirements for authorization should be included in the internal controls of the municipality.<sup>3</sup>

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<sup>1</sup> Financial Municipal Capacity Building Committee. Using a Website to Disclose Financial Information. Halifax, NS: Province of Nova Scotia, 2003.  
<http://www.gov.ns.ca/nsmfc/documents/Usingwebsitetodisclosefinancialinformation.pdf>.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

- 4) *A documented process for reviewing and approving any information posted on the website should be required to ensure the accuracy, consistency, and completeness of the information. Statements indicating the most recent date that the website has been updated should be posted.*

Steps to achieve the best practice of ensuring the accuracy, consistency and completeness of information presented on a website include the following:

- Presentation format/layout of the current statements should be the same as audited financial statements from prior years.
- The audited financial statements produced by the municipality should be disclosed on the website; this disclosure should state if there is any information missing and provide an explanation for its absence.
- The website should include any additional information required to properly interpret the auditing financial statements.
- All final documents placed on the website should be approved by council.
- Municipalities should post disclaimers on their financial web pages notifying visitors that although they attempt to keep information up to date some items may not be current.<sup>4</sup>

- 5) *It should be remembered that the primary audience is the public, so care should be taken to ensure that the organization, selection of information, and technology used to create the website will maximize its usefulness. The design of the website should be as user-friendly as possible. A website should also have a contact person, with a direct phone number provided, to answer questions or provide users with assistance.*

Governments should provide the most relevant information and provide it using language and formats that the public can be expected to understand. The audited financial statements should be placed in an obvious location that is easy to find on the website. The best option is to place a link on the home page of the website. When referencing the audit in another part of the website, the word AUDIT should be hyperlinked to the most recent audit. The contact information should include name, e- mail link, and direct telephone line to that person.<sup>5</sup>

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<sup>4</sup> Financial Municipal Capacity Building Committee. Using a Website to Disclose Financial Information. Halifax, NS: Province of Nova Scotia, 2003.  
<http://www.gov.ns.ca/nsmfc/documents/Usingwebsitetodisclosefinancialinformation.pdf>.

<sup>5</sup> Ibid.

- 6) *Governments should develop a system of internal controls to ensure the accuracy, completeness, consistency, and freshness of information posted on the website.*

The municipality is responsible for devising and adopting its own set of internal controls.<sup>6</sup>

- 7) *Terms or conditions of use should be included on the website so that prior to accessing the information, users are aware of, or preferably required to acknowledge, the limits on how the website may be used and what obligations a government is undertaking by disclosing information on its website.*

The majority of municipal websites in Nova Scotia do not include a disclaimer or terms/conditions of use. Since there is no provincial legislation or regulation that requires municipalities to do so, it is at their discretion. It is highly recommended that a municipality develop its own disclaimer or terms and conditions of use as a guideline to the users of the website and as a warning about the completeness and reliability of the information located on the site. Some issues that should be placed in a standard disclaimer or terms/conditions of use are the following:

- There is no guarantee of the accuracy and completeness of the information posted.
- There is no guarantee that the information is current.
- The municipality is not responsible for any viruses downloaded from the website.
- The municipality does not guarantee the accuracy or completeness of information on other websites that are linked to the municipal website.
- The municipality is not responsible for results obtained by individuals using the information or for any action taken in reliance on the information located on the website.
- The municipality does not endorse, approve, certify, or control external Internet sites and does not guarantee the accuracy, completeness efficiency, timeliness, or correctness of the information located on the sites.
- The municipality is not liable for any direct, indirect, incidental, or punitive damages arising from access to or use of the website.<sup>7</sup>

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<sup>6</sup> Financial Municipal Capacity Building Committee. Using a Website to Disclose Financial Information. Halifax, NS: Province of Nova Scotia, 2003.  
<http://www.gov.ns.ca/nsmfc/documents/Usingwebsitetodisclosefinancialinformation.pdf>.

<sup>7</sup> Ibid.

- 8) *Governments should not use hyperlinks to other websites. Information on external websites may be inaccurate and/or incomplete. If hyperlinks are used, there should be an accompanying warning.*

A municipality has no control over the content of external sites; therefore it is prudent to display a warning to users of the municipality's website that there is no guarantee regarding the accuracy, timeliness, and completeness of information on those external sites that are hyperlinked. If a municipality chooses to use hyperlinks on the official website it is highly recommended that a warning be issued to ensure that users understand that they use the information located on the linked sites at their own risk.<sup>8</sup>

- 9) *Firewall protection should be included on the website to prevent the municipality's website from being damaged, and to prevent users' from picking up a virus.*

Firewall protection is necessary for a municipality's website to protect their system from being infected with viruses that could potentially cripple its computer system. The firewall protects the internal Government network from being accessed by unauthorized outside individuals.<sup>9</sup> Firewall protection primarily uses packet filtering to detect and block intruders. Some also include application filtering. In addition, these applications typically generate alerts and log intrusion attempts. Packet filtering inspects information, and the firewall either blocks or transmits the packet. Packet filtering is capable of blocking Trojan viruses, which can be extremely detrimental to a municipality's computer system. Application filtering is an important component of firewall protection, because it uses higher-layer protocol information to filter traffic, implements additional security, and access control services.<sup>10</sup>

- 10) *Note from auditor should be provided indicating authenticity of the online audit.*

In order to prove that the posted audit on the municipality's website has the same information as the audit produced by the auditor, the auditor should include a statement of verification on the website indicating that the auditor is satisfied with the information posted on the municipality's website. This will enhance the legitimacy and authenticity of the electronically formatted audit.

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<sup>8</sup> Financial Municipal Capacity Building Committee. Using a Website to Disclose Financial Information. Halifax, NS: Province of Nova Scotia, 2003.

<http://www.gov.ns.ca/nsmfc/documents/Usingwebsitesdisclosefinancialinformation.pdf>.

<sup>9</sup> Province of Nova Scotia. Service Nova Scotia and Municipal Relations.

<http://www.gov.ns.ca/snsmr/pdf/property/Infrastructure.pdf>. June 13, 2001.

<sup>10</sup> The Keys for Firewall Protection. [http://www.armor2net.com/knowledge/firewall\\_protection.htm](http://www.armor2net.com/knowledge/firewall_protection.htm).

## **Appendix II: Example of Audits Posted on Municipal Website**

The following websites are from the Upper Dublin Township in Montgomery County, Pennsylvania. This provides an example of how a municipality has posted their audit online, their website disclaimer, and offering the option to download Adobe Acrobat Reader.

<http://www.upperdublin.net/finance>

<http://www.upperdublin.org/resources/disclaimer.aspx>

<http://www.upperdublin.org/finance/audit.aspx>

## References

2004 Financial Audit. Upper Dublin Township Montgomery, Pennsylvania.

<http://www.upperdublin.org/finance/audit.aspx>.

Finance/Earned Income Tax. Upper Dublin Township Montgomery, Pennsylvania.

<http://www.upperdublin.net/finance>.

Financial Municipal Capacity Building Committee. Using a Website to Disclose Financial Information. Halifax, NS: Province of Nova Scotia, 2003.

<http://www.gov.ns.ca/nsmfc/documents/Usingwebsites todisclosefinancialinformation.pdf>.

Government Finance Officers Association. Auditor Association with Financial Statements or Posted on Websites, Approved 2006.

<http://www.gfoa.org/downloads/caafrauditorassociation.pdf>.

Service Nova Scotia and Municipal Relations. Province of Nova Scotia.

<http://www.gov.ns.ca/snsmr/pdf/property/Infrastructure.pdf>. June 13, 2001.

The Keys for Firewall Protection.

[http://www.armor2net.com/knowledge/firewall\\_protection.htm](http://www.armor2net.com/knowledge/firewall_protection.htm).

Website Disclaimer. Upper Dublin Township Montgomery, Pennsylvania.

<http://www.upperdublin.org/resources/disclaimer.aspx>.