

DON Statement of Budgetary Resources (SBR) Financial Statement

What

What is a financial audit and what is its purpose?

- A financial audit is an independent evaluation of whether an organization's financial statements are fairly presented and in accordance with appropriate accounting standards

What does it mean to be "audit ready"?

- Audit readiness is a state of being prepared at all times to demonstrate proper manual and automated processes and documentation (e.g., process controls, financial controls, Information Technology (IT) controls) that are executed in accordance with policy and appropriate accounting standards
- The DON can maintain a constant state of audit readiness by having business processes that are sustainable, traceable, and repeatable



Why

Why must the Department of the Navy (DON) be audit ready?

- The National Defense Authorization Act (NDAA) of 2010 and Congress mandate fully auditable Department of Defense (DoD) financial statements by 2017
- There is a growing public expectation that tax dollars be used efficiently as the DoD has not successfully obtained a clean audit opinion

Why is financial audit readiness important to the DON?

- Audit readiness increases the accuracy of financials and produces more effective, transparent business processes
- Audit readiness enables the DON to make more timely decisions based on accurate and reliable information
- Audit readiness can help the DON to accurately and timely allocate resources to build new weapon systems, maintain research facilities, recruit specialized workforces, and deploy forces

When

When must the DON be prepared for a financial audit?

- On 13 October 2011, the Secretary of Defense issued a memorandum that emphasized the importance of being prepared for a full financial audit by 2017 and laid out a timeline for interim audit readiness milestones. Secretary Panetta directed the Under Secretary of Defense (Comptroller) to meet the following objectives:
 - Prepare for an **audit of the Statement of Budgetary Resources (SBR) by 2014**
 - Increase the emphasis on accountability of assets
 - Execute a full review of DoD's financial controls over the next two years and establish interim goals against which one can assess progress
 - Ensure mandatory training for audit and other key financial efforts, and establish a pilot certification program for financial managers by the end of 2012
 - Appropriately resource efforts to reach these goals
 - Meet legal requirement to achieve **full audit readiness for all DoD financial statements by 2017**



How

How can the DON achieve audit readiness within the designated timeframes?

- The DON will use the DoD Financial Improvement Audit Readiness (FIAR) guidance and lessons learned from other services working toward audit readiness. The DON's strategy includes the following key simultaneous efforts:

Managing to the Plan of Action and Milestones	Implementing audit readiness certification courses	Leveraging ERP effectively to support audit readiness	Improving communication with the Commands and Service Providers	Engaging leadership across functional areas of the DON
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Who

Who is responsible for ensuring the DON is audit ready?

- All functional communities are responsible. Audit readiness requires the participation and collaboration of a diverse group of stakeholders, not just the financial management community. Specifically, **audit readiness involves stakeholders from the lowest Echelons up to senior leadership**. When considering the lifecycle of an end-to-end business process, multiple stakeholder groups play a vital role in ensuring that financial information is produced, documented and maintained in an accurate and efficient manner. Examples of stakeholder responsibilities are below:

Stakeholder	Responsibility
Command Leadership	Develops and executes command strategies for audit readiness, leads by example through compliance in business execution, and facilitates continuous improvement
FMO	Provides guidance and oversight on DON's financial programs, liaising with DON leadership and Congress
Functional Leads and Workforce	Document, approve, and execute the business of the DON and improve internal controls

Where

Where is additional information on audit readiness available?

Additional information about the DON's current actions to achieve audit readiness can be found via the following link:
http://www.fmo.navy.mil/AuditReadiness/audit_readiness_information_center.html