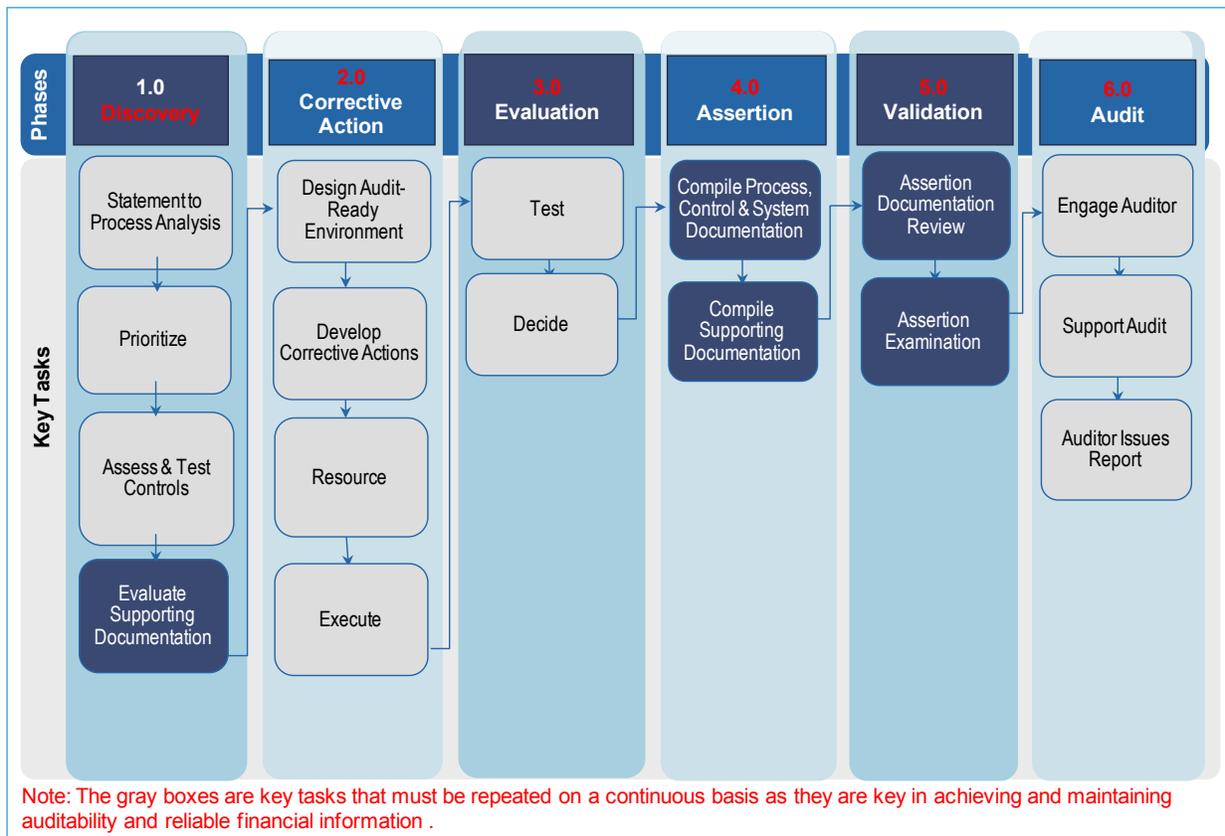


### 1.B FIAR METHODOLOGY

The FIAR Methodology (Methodology) maximizes the potential for successful financial statement audits by considering auditing standards. In accordance with professional standards, auditors collect evidence supporting the fair presentation of financial statement amounts by focusing on two primary areas: internal controls and supporting documentation. To achieve audit readiness, **reporting entities must:**

- **Identify and evaluate the risk of material misstatement and then design and implement control activities to meet key control objectives (KCO) that limit the risk of material misstatements, and**
- **Support account balances with sufficient and appropriate audit evidence, defined as key supporting documents (KSD), supplemented with the reporting entities’ own documentation requirements.**

Reporting entities should focus their audit readiness efforts on improving their processes, controls, and related documentation based on the results of the application of the Methodology. Adherence to the Methodology will also attain compliance with the most relevant laws and regulations that have a direct and material impact on the Department’s consolidated financial statements. Any standalone efforts to comply with direct and material laws and regulations affecting the Component’s financial statements should be completed after achieving audit readiness. The phases and key tasks of the Methodology can be seen in **Figure 2.**



**Figure 2. FIAR Methodology Phases and Key Tasks to Achieve Auditability and Reliable Financial Information**