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Preparing for an Audit Engagement?

10 Tips to Help You Prepare

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With increasingly complex and busy lives, we understand the value an efficient audit process can provide to business owners and their teams. Here are 10 helpful tips for a successful audit:

1. Plan ahead

During the planning stages, auditors typically send a list of information required before the engagement commences. You can enquire from your auditor what information/documentation is required based on priority and plan accordingly so excessive time is not taken away from day-to-day tasks. You can also be proactive and request what the auditors may need in advance.

2. Ensure ease of access of accounting records

Have a system in place to organize your accounting records. An increasing number of companies have implemented data management systems that can record and store invoices and receipts electronically. This can not only reduce

occupied office space, but it can also improve locating particular documents required by the auditor.

3. Prepare internal financial analysis

Auditors may carry out analytical work, for example, by comparing prior year and current year financials and by preparing ratio analytics. By preparing the financial analysis in accordance with your industry's norms, you will have a better understanding your company's performance which can help enhance operations. This will also enable a more efficient process when responding to auditor's queries.

4. Seek assistance for complex accounting

We understand that some transactions can be complicated and recording them in accordance with relevant

accounting standards can be difficult. While auditing standards require that independence be maintained, your auditors may be able to provide guidance on relevant interpretations or point you in the direction of a consultant best suited to assist you. Dealing with these matters earlier, as opposed to waiting until the year-end audit, can prevent unnecessary delays and help in an efficient procedure.

5. Review prior year adjusting entries

For recurring audits, gaining an understanding of the adjusting entries which the auditor proposed in the previous year's audit can highlight the types of issues to be aware of. If in doubt, talk to the auditor about these entries so you are clear on how to deal with them in the following year.

6. Ensure books are kept accurate throughout the year

Preparing reconciliations for the bank balance, opening retained earnings and/or intercompany advances can help identify possible mistakes made during the year. It can also provide useful reports for management to review and reduce the work an auditor has to perform since mistakes can be identified and dealt with at an earlier date.

7. Self-review for quality control

Before closing the year, preparing and reviewing an overview of the financial statements can be useful to ensure on a macro level that the numbers make sense. This can also include going through working papers and schedules to be comfortable everything ties in. Having a second set of eyes look over the information is also recommended as it helps ensure the reasonability of the numbers and can help identify if any additional adjusting entries are required prior to closing the year-end for audit.

8. Communicate with auditors

- If your audited financial statements are requested by, for example, a financial institution or a regulatory body by a specific date, it is best to communicate with the auditors the timeline in advance so they can plan the date of their fieldwork to meet the deadlines. This can help auditors determine the start date and makes the audit process more streamlined.
- Keeping your auditors informed of any adjustments that you make after you have provided them with your accounting records ensures that the auditors' record keeping is consistent with yours and avoids confusion later on when you record adjusting entries.

9. Make yourself available during fieldwork

Key personnel who may be able to assist auditors during the audit fieldwork should be available to answer questions and to gather information. Speaking to your auditors and gaining a better understanding of the audit timeline can minimize any potential disruption to your employees' workload.

10. Remain up-to-date

Scheduling periodic update meetings with auditors can help determine outstanding information and any follow-up queries they may have. This ensures everyone is on the same page and there is no break in communication.

Though audits might feel like a tedious administrative task, they can be a productive process for companies to identify internal control weaknesses and allows auditors the opportunity to provide strategic recommendations to improve business performance. Following these 10 tips can help your next audit process run smoothly and maximize the efficiency of managing your company's financial data in the long run.

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