

Are You Ready for Your Year-End Audit?

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Let's face it – no one likes to be audited. Even companies who have an annual audit performed as a normal part of doing business do not enjoy the annual fiscal probing. The annual audit may be something they don't think about or plan for until near year-end. Many people think about the tremendous amount of time they spend gathering documents and attending to the auditors' questions during the audit process when they think about an audit.



Be Prepared

A company that is prepared and ready for its audit will encounter less stress and frustration during the audit process and require less time for the audit to be completed. In addition, extra fees related to the audit are usually kept to a minimum. A Company that fails to plan for its audit is usually the one whose audits drag on for months and end up costing much more than expected. But what, exactly, does being prepared and ready for your audit mean? Following a few simple steps will make the audit process go smoothly for both you and your auditors.

Stay Focused on the Goal

The number one thing to remember when planning for your annual audit is that maintaining a positive and constructive attitude will result in a positive outcome. The primary purpose of an audit is to provide an independent opinion on whether a company's financial statements are accurate, complete, and fairly presented in conformity with generally accepted accounting principles. It is important to remember that your auditor is a trusted business partner and is not there looking for errors. While finding errors during the audit is a possibility, it is not the auditors' focus. Both sides need to work together to complete the annual engagement in a timely fashion. Maintaining a positive attitude helps accomplish this goal.

Be Organized

Many of the auditors' procedures require verifying items with independent third party documents, such as original vendor invoices or bank statements. Having documents and records that are complete, well-organized, and easily accessible is an important part of making the audit process go smoothly for all involved. It also helps reduce the stress involved in the process. It is very common for the auditor to send a checklist asking the company to have certain items available either before or during audit fieldwork. It is extremely beneficial to

review this list with the auditor in advance of the fieldwork so that all the items listed can be gathered or prepared prior to fieldwork. Having these items organized and available when the auditor arrives helps ensure the engagement runs smoothly.

The real nuts and bolts of an audit involve verifying that amounts listed on a trial balance are supported by documentation. The first thing the auditor investigates is whether the trial balance is complete and accurate, which involves several inquiries:

- Have all journal entries from the prior year engagement been recorded properly?
- Does it include all transactions related to the period being audited?
- Are the books on the cash or accrual basis of accounting?
- Have year-end balance reconciliations been performed?

Determining that each of these items have been reviewed and completed helps ensure that the trial balance is complete and ready to be audited and will help you prepare to answer the auditors' questions.

Wrapping Up

An audit does not need to be a stressful process for either the company being audited or for the individuals performing the audit. Many companies view the audit not only as a way for management to monitor the financial process, but also view it as an opportunity to assist the company to operate more efficiently.



As stated earlier, the purpose of an audit is to verify that the financial statements are accurate, complete, and fairly presented; however, verifying company financial records doesn't need to only be done on an annual basis. Some companies have found that performing monthly account reconciliations and balance verifications throughout the year is an efficient way to make year-end audit preparation easier, and has led to smoother running engagements. By considering these guidelines to assist you in being prepared and ready for your annual audit, you can help ensure a smooth and stress-free audit engagement.