

6 WAYS TO IMPROVE AUDIT READINESS (AND LOWER YOUR COSTS)



Even for the best-prepared accounting teams, the annual audit can be a time of immense anxiety and sometimes frustration.

Between client and audit team miscommunication, haphazard PBC lists, fluctuating trial balances, and the simple fact that the in-house accounting team has already moved on to a new fiscal year, it's no wonder why everyone is happy when the audit wraps up.

That's when the realization sets in: We have to do this again next year.

As strenuous as the audit is perceived — and often proves — to be, there are a number of steps businesses can take to relieve some of that stress and positively impact the audit. At the end of the day, it comes down to correctly delegating responsibilities, installing a clear, concise manner of communications, and developing a working relationship based on mutual respect.

Ultimately, both the audit team and their client benefit from a quick and easy audit — getting to that level is a different ball of wax. Here are six ways businesses can improve their audit readiness and potentially lower, or at least, contain, costs at the same time.



1

DEVELOP A HEALTHY RELATIONSHIP WITH YOUR AUDIT TEAM THAT FOSTERS TRANSPARENCY AND COLLABORATION



Developing a clear flow of communication with the audit engagement team might be the most important factor in determining audit readiness, because this relationship has a material impact on the tips that follow. If the auditors feel that the client is unnecessarily guarded with information or hostile when documentation is requested, it tends to raise the level of skepticism in their review, which slows down the entire audit cycle.



Regardless of what your expectations may be when headed into the audit, it's important to remember who works for whom. View the audit team as consultants and use them as such: Lean on them for guidance and expertise in new areas of accounting regulation and rules, such as lease or revenue accounting. This type of relationship will strengthen the company's accounting practices as a whole, and make it easier on the audit firm to perform their testing.

**2**

FRONTLOAD THE ANNUAL AUDIT WITH AS MUCH INTERIM TESTING AS POSSIBLE



It might go without saying, but the speed of the audit hinges largely on the accounting team's preparation. The more work that can get done over the course of the year — especially outside of audit's busy season, when firms are strapped for resources — the smoother your year-end should be. In order to be ready for interim testing, it will be immensely helpful to hard close on a monthly basis and capture qualitative review while the problems are front of mind.



By ensuring that the interim work is out of the way, audit teams can get ahead of any potential problems they see early on. Catching these issues early in the audit will provide the client sufficient time to fix them and, hopefully, mitigate them in the future. Identifying and eliminating these issues in the future might also positively impact how clients negotiate audit fees: Cleaner audits mean less work.

**3**

HAVE THOROUGH DOCUMENTATION AND A CLEAR AUDIT TRAIL ILLUSTRATING HOW WORK WAS PERFORMED AND AUDITED IN PRIOR YEARS



This isn't always a possibility if the company is still establishing an audit process, but one of the best ways to ensure both your and the audit team know how to test an account is to look at how it was done previously and determine whether the same approach makes sense. With that in mind, ensure that your team is always capturing how they overcome audit issues as they arise because — chances are, you'll run into them again.



Implementing a system that captures steps and documentation so that these processes are cemented in place should be front-of-mind. This ensures that delegation of responsibilities is as easy as plug and play, regardless of staff turnover. Having documentation of what was performed last year will give the team a sufficient baseline to work off of in the current year.

**4**

PROVIDE COMPLETE AND ACCURATE SUPPORT THE FIRST TIME IT'S REQUESTED



Ask any auditor, and the most frustrating part of the audit is receiving wrong or out-of-date support documents from their PBC list. This negatively impacts auditors — because they need to re-request supporting documentation — and clients, because they dedicated all the time and energy to finding the supporting documentation in the first place.



Harkening back to the first point, it might seem simple enough for an auditor to quickly ping the client and request the exact documents needed, but in reality, the audit team



is too busy to check the validity of the support in the first place. When they do, it's often after-hours when the client is out of the office, creating a frustrating roadblock for all involved. While clear-cut communication can help both parties avoid this issue, providing the correct documentation as soon as it's requested benefits everyone. Better yet, finding a solution that limits the amount of PBCs being requested and re-requested saves time, energy, and money.



5

NOTIFY AUDITORS WHEN BALANCES/ RECONCILIATIONS HAVE CHANGED IN REAL-TIME.

One of the most inefficient, time-consuming obstacles you can run into as an auditor is when you find yourself reperforming an audit workpaper because the balances have changed and no longer tie to the most-recent trial balance. If you don't communicate post-month end changes or revisions to the auditors, it will just slow down the audit. The auditors will eventually find out, putting more pressure on the client's accounting department to book further adjustments, creating more work for the auditors, and likely increasing the audit fee as a result.

The sooner an accounting team can get to a final TB, the greater the likelihood that the PBC support provided to the audit team will not change after the fact. If your accounting team is notified when balances no longer tie, new recs have been performed, or adjusting entries have been booked, they can alert the audit team to changes ahead of time, instead of waiting for them to notice it for themselves. They'll always notice for themselves, eventually — might as well get ahead of it before it causes an audit review pile-up.

6

HAVE YOUR BOOKS CLOSED AND APPROVED SOONER

Another inefficient, time-consuming issue many audit teams face is showing up on-site before the books are finalized and reviewed. This often results in auditors finding busy work waiting for support to be provided — while charging full price/overruns, of course. This benefits no one...well, except for the audit firm.

Installing an easily-repeatable structure for the month-end close makes it nearly painless for companies to ensure a hard close each month.

Close management software offers a single location to manage all aspects of the close, giving all parties visibility into its progress. Capturing relevant supporting documents and communication throughout the process can save accounting teams a substantial amount of time when preparing for the audit, and if auditors have any questions or requests while hard at work.

CLOSE MANAGEMENT SOFTWARE AND IMPROVING AUDIT READINESS

FloQast is a close management solution built by accountants for accountants to close the books faster and more accurately. By providing a centralized location to manage the month-end close, businesses can ensure a hard close each month, cut the time necessitated to perform all related tasks, and ensure audit readiness by storing all related documents and related communications over the course of the year. On average, FloQast customers close three days faster than they did before deploying the close solution.

Hundreds of accounting teams rely on FloQast to help increase their audit readiness. They use it to eliminate the back and forth with their auditors keeping PBC lists always up to date and accurate, clear evidence of review with a time-stamped record for all reconciliation or checklist items, and streamlined communication with auditors by offering customized, restricted access for auditors to review documentation — less time spent waiting on supporting documents, means fewer billable hours. Finally, completeness checks assure that everything from the ERP is properly reflected in close documentation and every task has been fully prepared and reviewed.

"With FloQast, I can sleep at night, knowing all of our accounts are audit ready."

JERRY RAPHAEL
Vice President of Finance,
Stack Overflow

"By the time the auditors walk through the door, the books are closed and we're audit ready."

CHRIS ZUNIGA
Director of Accounting,
Center for Family Support (CFSNY)

IN CONCLUSION

Implementing these practices should dramatically impact your approach to the annual audit moving forward — and help reduce anxiety. From the way you organize documentation, to how the team closes the books each month, and, finally, to the way you prepare to work with

external auditors, you can improve your audit readiness, limit the back-and-forth, and even lower your costs — or at least reduce the growth of annual increases.

With the proper preparation and the right infrastructure, the audit won't seem so daunting — because it won't be.