A Year-End Audit Should Not Be Torturous

When most people think of an audit, the words “root canal” or “Chinese water torture” may come to mind. An audit is invariably referred to negatively. Rather, it is a matter of perspective, approach, and attitude. Many types of organizations perform some type of auditing procedures whether it is performed by voluntary board members, management’s review, or an external auditing firm. The definition of an audit is, “an examination of records or financial accounts to check their accuracy.” However, an audit is more than just an examination of records. An audit should be used as a tool for continuous improvements. An audit is an opportunity to find solutions that will assist your organization to operate more efficiently.

The most obvious benefit of an audit is that it assists with the cleanup of financial data. Auditors verify that amounts recorded in the accounting system are free from material misstatements. If an auditor finds an error, adjustments are made. This, sometimes tedious, “cleanup” not only provides accurate financial reports but allows managers to assess the operations of the business. If revenues and expenses are itemized and classified in the correct buckets, then better analyses can occur. Company data can be compared to benchmarks and industry figures to identify weaknesses and areas of improvements. A high-level and comparative view of the company to benchmark data is essential in planning for the future.

An audit extends beyond the numbers. Auditing standards require external auditors to assess the internal controls of the organization. For instance, if an organization has a high risk for fraud due to inadequate checks and balances in place, the auditor is required to communicate that to management. This communication should be taken seriously and improvements should be made based on recommendations from auditors.

If an audit is not taken seriously and the owners and managers just roll through the motions, there is no doubt that the audit will appear torturous. Consequently, management is losing out on the vast benefits of this valuable tool.

Most importantly, a high correlation exists between a positive attitude of the organization’s staff and the benefits received from the audit procedures. The willingness of staff to assist in gathering information and answering questions allows auditors to spend less time on tedious tasks and provide more thoughtful and beneficial feedback to owners and managers...everyone wins.

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