10 Tips to Summit the Audit Mountain

The Year End Audit is a mountain to climb for businesses around the world, but CFOs can make sure their accounting teams reach the summit by preparing well ahead of time. From simple teamwork and culture-boosting strategies, to cost-saving and technical adjustments, there are plenty of ways to help accountants manage specific audit tasks and deadlines - along with the broader pressures of the period.

Don't wait for Year End challenges to come to you. Make your team, and your business, more efficient and more resilient to the pressures of the season with our list of audit preparation tips.

01 // AGREE ON YOUR PBC CHECKLIST EARLY

- Get your auditor to send the PBC (Provided By Client) checklist well in advance of Year End to allow for questions, due date amendments, internal deadlines, and so on. Get team feedback, and high level agreement on timelines as quickly as possible.
- Ask clarifying questions as issues emerge, rather than when teams are busy or stressed. Compare the checklist to the previous year to identify changes: "Did a lot of M&A affect the last audit's focus? Are all PBC items still needed? If there is uncertainty, don't be afraid to ask "Why?"
- Avoid surprises by engaging early with sensitive accounting issues. Work with your auditor to understand the impact of regulatory changes, and seek their advice on how to adapt.

02 // REVIEW CHECKLIST ASSIGNEES

- When a team's composition changes, it's easy for certain audit tasks to go unassigned, leading to confusion, friction, and missed deadlines. Check to ensure that tasks have new owners who are capable of completing them.
- Audits can be daunting, so it's worth pairing junior and experienced staff for walkthroughs of certain tasks. When junior staff make multiple incorrect statements, the collective effect often increases an auditor's perception that there is a risk of material misstatement - which may ultimately lead to an adjustment.
- Ensure you track CPD/CPE internally so you know not only how your group's experience breaks down for task assignment purposes, but who is up to date on new regulations. There are plenty of free resources available to accounting teams, including FloQast's FloQademy repertoire. Auditors may also offer free CPD sessions.

03 // PREPARE THE AUDIT TEAM

- It's always worth requesting continuity with a previous year's audit team as a way of conserving knowledge. It can be frustrating when a new audit team (especially one with junior auditors) lacks insight into your business, or takes a long time getting up to speed.
- Beyond causing frustration, inexperienced or unprepared auditors may end up creating completion delays, which can add extra fees to the audit process.
- Make sure the audit team is aligned with your team on optimal timings. Your company's day-to-day work doesn't stop during an audit: month ends will often overlap with audit tasks, and larger entities may have multiple audits in parallel. Reduce stress by ensuring your team is comfortable reaching out to auditors and treats the audit as a marathon, not a sprint so they manage their workload sustainably by avoiding too many late nights.

04 // COMMUNICATE POCS AND KEY DATES

- Pre-empt audit issues by ensuring task owners know who to approach for solutions. Arrange an internal Kick-Off meeting to get everyone on the same page, and share Points of Contact (POC) so everyone knows who is managing the internal and external audits.
- Avoid confusion by centralising key dates, such as General Ledger Lock, Tax calculation, Notes to Financial Statements, and Cashflow, and ensure your team has easy access to that resource.
- Frame due dates as business days to both maintain correct timing gaps between internal and external due dates and avoid unrealistic expectations. This is especially important in cross-border contexts where teams might need to factor-in national holidays.
- Communicate company holidays and personal holidays well in advance to avoid missed deadlines and help teams plan ahead.
- Use a workflow monitoring tool as a means to track key dates, facilitate collaboration, and increase visibility across teams.

05 // AGREE A CADENCE FOR INTERNAL AND EXTERNAL MEETINGS

- Agree on the frequency of meetings with your auditor. Best practice dictates meeting twice a week for an overall status review, for no longer than 30 minutes. If meeting topics don't require the full group, schedule them separately to keep things efficient.
- Assign a note-taker for the minutes of each meeting, and create a shared document that team members can comment on afterwards. The document will serve as a reference point for any subsequent discussions.
- Avoid lengthy, back-and-forth email threads. If email discussions get confusing, recommend a call to clear things up. In the age of remote work, face-to-face (or screen-to-screen) discussion is more important than ever.

06 // AGREE ON COLLABORATION & COMMUNICATION TOOLS

- Some auditors have their own data collection tools so it's vital that you agree on an approach that works for your team. It's worth making everyone aware of useful Close Management Tools that can significantly enhance audit management.
- Keep audit documentation organised and centralised so that team members and auditors can easily access critical information.
- Leverage technology to enable faster responses to requests for information.
- Ensure your audit team has fast, easy access to necessary data, and doesn't have to waste time emailing or sharing individual documents. Share only what is required with the auditor.

07 // SEND INTERNAL PROGRESS STATUS UPDATES

- Keep your team up to date, and identify delays early, by sending daily checklist progress emails. Audit documents often need multiple reviews before they can be shared with auditors, so internal delays quickly put external deadlines under pressure.
- Progress emails are also useful for highlighting issues and complex items which might require leadership intervention.
- Avoid expectation gaps. If your Cash Flow Statement, for example, is taking longer than last year, flag the issue for auditors as early as possible.
- Benchmarking completion percentage against the previous year is also a good way to gauge how your overall audit is progressing.
- Create a culture of visibility in the CFO group to promote inclusivity and to encourage team members to help each other in pursuit of the common goal.

08 // COMPLETE A RETROSPECTIVE ON LAST YEAR'S AUDIT

- Create a survey to send to your team. Ask simple, open-ended questions that give individuals scope to express their feelings - for example: "What went well internally" and "What needs to be improved?".
- It's also worth conducting an immediate post-audit survey to gain insight from your team while the experience is still fresh. Be careful not to bombard them with too many extra work requests.
- Ask your auditors the same questions. The information you get from them will be valuable: the easier it is for them to do their job, the easier it will be for you to achieve a more seamless audit in the future.
- Consider last year's pain points: are there specific audit requests that take a long time to prepare? Can items be split across the year, and tested at interim stages? Can the typically challenging Cash to Revenue proof be split so it's not the full year under review?

09 // AGREE A MATERIALITY APPROACH

- Set an internal threshold for Reconciliations which has been agreed with your Internal Audit team. Communicate this threshold widely and regularly.
- Discuss your external auditor's Reconciliations threshold well in advance in order to ensure consistency across the two approaches.
- Make sure reconciling items don't carry forward too long. Create an internal rule to investigate items that fall above the threshold, and set a defined number of days to investigate them - 90 days is the usual limit.
- In group audit contexts, thresholds and rules should be set centrally and communicated to team members. Consolidated audits will typically have different thresholds than individual entity audits.

10 // DEVELOP A ROBUST BRIDGE PROCESS

- The bridge process refers to Journal entries that are identified after the General Ledger lock is completed in your ERP. Schedule meetings once per week to review Journals, and set a clear deadline to discuss whether they will be posted.
- Create a rolling live document of Journal Entries identified. The document needs to be holistic, and include the impacted Financial Statement lines. It should also summarise the percentage change on each of these lines to allow your Finance Leader to make a decision.
- Work to develop a comprehensive understanding of which Journals need to be posted so that you can minimise rework versus material impact. You should always ask "Is this Journal material?" Some journals may be for presentation purposes like Balance Sheet reclasses so may not require opening the books. Commence with an approach of not posting any journals and make justifications based on findings in this section.
- It's critical that you have an open discussion with the Audit Committee, FP&A, and Tax in order to ensure that you're taking the correct approach to Journals, and minimising their time impact.
- Keep auditors in the loop by explaining why you are posting Journal Entries. Effective collaboration will eliminate the need to constantly update reports and Trial Balances.
- A robust and efficient bridge process is not only a way to save on audit fees but also avoid the chaos of audit teams having to make late adjustments.