

# YOUR COMPANY'S AUDIT: GET A GAME PLAN READY

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If the audit is done right, you can learn valuable information about your company's financial well-being and the strength of your internal controls.

No one actually looks forward to an audit. Paying someone who seemingly takes pleasure in scrutinizing your work, looking for mistakes in your financial statements and critiquing your procedures is not something many people eagerly await. However, an audit doesn't have to be painful.

The keys to a good audit are planning, preparation and communication. You want to have a good relationship with your auditors and keep the communication channels open — not just during the audit but year-round. You want to avoid surprises during the audit and difficult issues that will delay the issuance of your audit report. You'll also want your auditor to keep you abreast of new accounting standards that may impact your financials as well as your ability to obtain financing.

## **ESTABLISH KEY DATES AND DEADLINES**

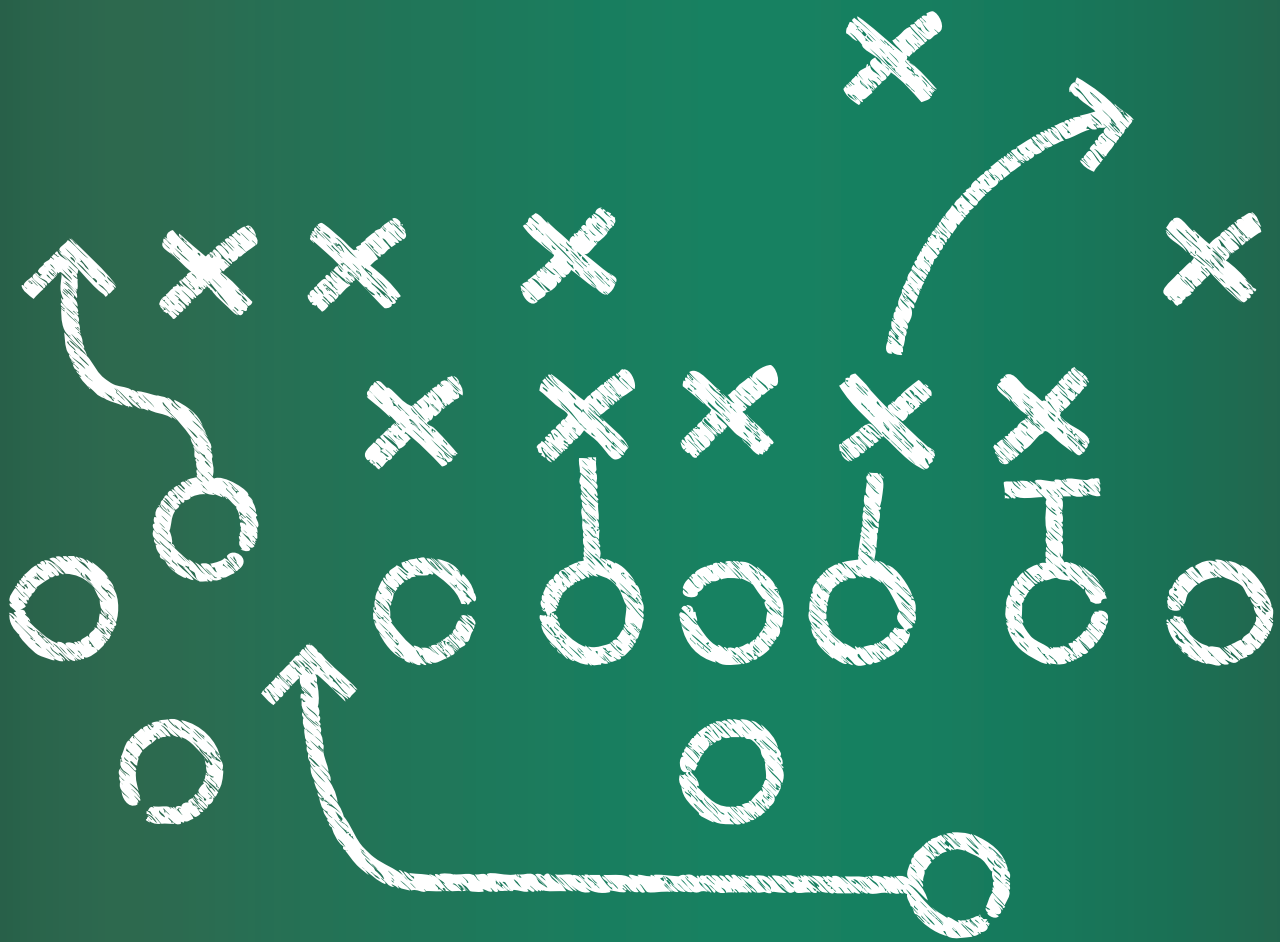
Planning is crucial to any audit. A football team doesn't go into a game without a game plan, nor should you go into an audit without a plan. Your plan should start with establishing key dates and deadlines for both you and your external auditor. Whether you are the controller of a business, nonprofit organization or government agency, you probably have an audit done because a third party requires one by a certain date. Work backwards from the deadline and establish dates when each part of the audit process needs to be completed to meet the final goal. Plan to finish. Both the auditee and auditor must be held accountable and be aware of the

consequences if they don't do what they have agreed to in the audit plan.

## **PREPARE SCHEDULES AND DOCUMENTS**

Start planning for the audit early — at least two months before the end of your fiscal year. If you're part of a large organization, ask your auditor what procedures can be done before year-end to save time later. Auditors will typically be happy to accommodate you since work can be done outside of their busiest time. Most auditors will give you a prepared by client (PBC) list. This is a list of schedules for you to prepare and other documents needed for the audit. Ask for this list early. You can generally put together some of the information before you are busy closing out the year-end. Begin to accumulate information such as board minutes, new contracts and agreements, fixed asset additions, and supporting documentation for major transactions. Your auditor will be thrilled to receive this information early so that they can read and analyze it during their audit planning. The more your auditor knows about what transpired during the year, the better they can plan. A well-prepared auditor usually will make your life easier.

Ask your auditor to go through the PBC list carefully before giving it to you. Make sure they just don't update last year's list by changing the date. There may be items on the list that are no longer necessary. Avoid wasting time preparing schedules that auditors don't need. When you get the PBC list, consider whether you already have an



internal report that includes the information requested. As an auditor, I've worked with clients for years only to accidentally stumble across an internal report that would have been very useful for our audit.

### EXAMINE PRIOR ADJUSTMENTS

The fewer audit adjustments your auditor has, the more efficient the audit. Ask your auditor to review last year's audit adjustments with you to understand which areas the adjustments affected and why they were made. Look closely at these areas before you close out your books. Make any necessary journal entries so that the auditor does not have to make adjustments. Also, ensure that your trial balance is final before giving it to the auditor. Making adjustments after the audit starts is a recipe for a long, drawn-out and difficult audit which could result in higher fees.

### MINIMIZE DISRUPTION OF FIELDWORK

Ask the audit partner or manager how many staff are scheduled to be on-site and

when. If you're the controller of a smaller organization or a one-person accounting shop, it's not going to work out well if there are three or four auditors in your office at the same time. You aren't going to be able to keep up with their requests, which will result in wasted time and frustration on both sides. Work with the auditor to ensure you have as much information ready in advance as possible, but know that more information will be needed as the audit progresses. No matter how well things are planned out, the audit fieldwork will be disruptive. You will want to make sure that the ratio of auditors to your staff is reasonable so you can meet their requests for information in a timely manner.

### ASK FOR REGULAR UPDATES

Ask your auditor to keep you regularly updated about the progress of the audit. One practice is to schedule a brief meeting every afternoon during the auditors' fieldwork. The meeting should include the controller and accounting staff that are directly involved in the audit as well as the

firm's entire audit team. At the meeting, review that day's progress and any additional information that is needed, any audit adjustments or proposed adjustments that were discovered and any other findings that were identified. Also, review the plan for upcoming procedures to ensure that all the information needed is ready. Such a daily meeting can avoid misunderstandings or disagreements later in the process which could delay issuance of the audit report. Remember, the goal is to plan to finish. ■■■

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