

Added value through ideas and insight

## HOW TO PREPARE FOR AN AUDIT

### Introduction

On many occasions, we have to reschedule the commencement of an audit. It can be frustrating when an auditor receives an email or phone call from the client a few days before the agreed audit commencement date requesting to reschedule. In this article, we will share tips on what to consider to effectively prepare for an audit.

### How do I prepare for an audit?

Most organisations require an audit of their financial statements every financial year. It usually is challenging when that time of the year approaches, as the finance team try to balance preparing for the audit and their day to day work schedules. Preparing for an audit need not be done at one go, just before the commencement of the audit. The client team can take bite-sized steps throughout the year in readiness for the next audit.

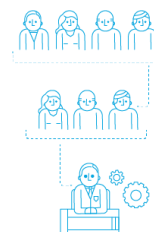


Preparing for an audit starts when the prior year audit is concluded. Management should ensure that the opening balances are rolled forward and reconciled to the audited financial statements as soon as the financial statements are approved.

Management should, throughout the year, review and improve on any issues highlighted the previous year's management letter. They should consider having in place monthly internal reports that support the review management accounts. The review ought to confirm that balances are supported with schedules and/or explanations.

Further, management should be informed of any new and proposed changes in financial reporting standards and accounting policies that may impact the financial statements. They should also assess the impact on the financial statements of any changes in the organisation's operations and activities during the year. All these should guide them to prepare a draft set of financial statements with clear disclosures.

As the year-end approaches, request from the auditor a "prepared by client checklist." The team should gradually start working on this and constantly provide updates to the auditor obtaining clarification when in doubt.



Management should schedule and attend planning meetings with the auditor. This will assist the auditor in getting insights on the organisation's performance for the period under audit and highlight any key risk areas, where the auditor should focus.

Before commencement of the audit, ensure that the trial balance is up-to-date and all year-end adjustments are processed.

### Conclusion

A smooth and efficient audit can be achieved when there is constant open communication between the auditor and the client. This should be done when the audit is about to start; preparation for an audit can commence as soon as the previous year's audit is concluded and gradually work towards full preparedness of the next audit.

#### Caveat

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