Is an audit necessary?

An audit is an independent examination of the financial accounts/records and procedures of a firm or organisation, by a qualified accountant. This is essential to form an opinion that the organisation's financial statements present a true and fair view at a particular point in time.

Audited accounts can be particularly relevant to creditors, potential investors and your bankers when they are looking at doing business with your organisation.

What an audit does:

1. Helps improve internal systems and controls over financial transactions and reporting.
2. Identifies key areas for financial improvement in your organisation.
3. Evaluates the performance of your accounting systems.
4. Evaluates roles and responsibilities relating to the accounting function within the organisation.
5. Gives stakeholders some assurance regarding the management of the organisation.
6. Helps improve accuracy of your organisation's financial data.

What an audit does not do:

1. Measure non-financial performance such as productivity and skills of the employees.
2. Specifically look for fraud.
3. While an audit offers recommendations for financial and system improvements, it does not implement them. This is the role of management.

What to be aware of:

1. For small organisations it can be a big investment, get an upfront price before you begin so you know what you are up for.
2. Negotiating a timetable is important, particularly if you have a deadline such as an Annual General Meeting.
3. It will require an investment of time from management and staff in your organisation to answer the auditor's questions so, that they can do the best job possible.

So here you have it, the positives and watch-out-fors of an audit. Contact your accountant if you have any further queries to see if an audit is right for your organisation.

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