

Your Business Audit Will Cost You, Unless...

5 min read



Key Takeaways

- Prepare Your Provided by Client (PBC) Checklist. If any discrepancies or inconsistencies are spotted, make sure your staff corrects and documents them before the auditors arrive.
- Appoint a knowledgeable, trusted employee to act as the auditor's point person during an exam. Although many questions might ultimately fall to you, delegating another employee will save you time during the audit.
- Have your bookkeeper double-check that your general ledger corresponds with all your sub-ledger accounts. Also, make sure that your bank accounts are reconciled promptly every time your business receives a statement.

In a *perfect* world, when the time for an audit rolls around, you'd simply greet the auditor, show them your files, and wait for your perfect grade.

However, most business leaders know that in the *real* world, an audit requires a great deal of your time and attention, and that of your employees.

As a result, it not only directly costs you money to have the audit performed, but the unexpected expenses add up. You and your employees spending time on an audit rather than your core business functions can cause profit to dip.

Why put yourself through this?

Thankfully, there are many steps you can start taking now that will help your business prepare for an audit, limit the time it takes for your auditor to complete their job, and save money on the total cost of an audit!


How To Save Money During Your Next Audit

1. Maintain Compliance to Maximize Responsiveness and Cooperation

Perhaps the most obvious and most important way to save money on your next audit is to make sure that you are always in compliance with all the regulations and rules that are required for your business. **This will prevent your organization from incurring expensive fees and penalties for non-compliance.** This will also preserve your positive audit marks and sterling reputation.

Additionally, when you maintain compliance, it will certainly make it easier for your organization to be responsive and cooperative during an audit, which will save time and reduce the overall cost.

The last thing you want during an audit is to keep your auditor waiting. When they ask a question, request documents, or ask to see additional records, being prompt will accelerate the process and save your company money.

 **TIP:** Appoint a knowledgeable, trusted employee to act as the auditor's point person during an exam. Although many questions might ultimately fall to you, delegating another employee will save you time during the audit.

Automating your processes with [outsourced accounting services](#) will simplify the implementation of procedures and policies that keep your business up to date with ever-changing regulatory guidelines. Plus, with automated systems in place, your appointed employee should be able to access everything the auditor needs, saving time and money.

2. Prepare Your Provided by Client (PBC) Checklist

Prior to an audit, you should receive a PBC checklist that will help you prepare for the audit. The PBC checklist will include the schedules, work papers, and other documents that your

auditor will need to conduct their examination. You'll receive this checklist in advance so that you'll have plenty of time to prepare the requested items.

Be sure to have your employees use their time to have everything on the list in order and ready for your auditors when they arrive.

For example, encourage your bookkeeper to take the time to pull files and examine them for exceptions. Make sure they look through your ledgers and ensure beginning balances match ending balances from the previous audit and that your current balances agree with the general ledger.

If any discrepancies or inconsistencies are spotted, make sure your staff corrects and documents them before the auditors arrive. Otherwise, you'll be wasting time investigating discrepancies and answering questions while the auditors (and you) are on the clock.

3. Implement a System of Internal Controls

One of the first items an auditor will assess is your business's system of [internal controls](#). This includes items like your financial reporting systems, bookkeeping and accounting processes, data-processing, and IT security.

Your auditor will spend (more or) less time evaluating your records depending on whether you have established a robust system of internal controls, check and balances, and separation of duties.

Taking the time to create internal controls will not only save you during an audit, but it's also going to protect your organization from [internal fraudulent activity](#), which most frequently affects small businesses and has the potential to generate staggering losses.

By outsourcing your back office functions, your business – no matter how small – can easily create a system of internal controls by leveraging the technology, strategies, and people that are available with an outsourced financial team.

4. Reconcile Accounts Regularly

Rather than rushing to reconcile your accounts right before an audit, **your business's finance function should be reconciling all of your accounts on a regular basis throughout the year.** Not only will this help protect your organization from fraud, theft, and the trouble of trying to find an offgag from six months ago, it will also ensure that you're ready and confident for your audit.

Have your bookkeeper double check that your general ledger corresponds with all your sub-ledger accounts. Also, make sure that your bank accounts are reconciled promptly every time your business receives a statement.

Unfortunately, many organizations delay reconciling accounts because doing so manually requires loads of time that most small businesses simply don't have the bandwidth for. That's why we recommend [automation](#).

When you automate your receivables, payables, and account reconciliation using apps that integrate seamlessly with programs like QuickBooks, you'll be able to approve expenses and reconcile your accounts at the click of a button.

Having your staff reconcile accounts regularly and automating the process will ensure that your records are always organized and accurate with only a small amount of your time and attention. This will cut down on the time it takes your auditor to examine everything and reduce the cost of your audit.

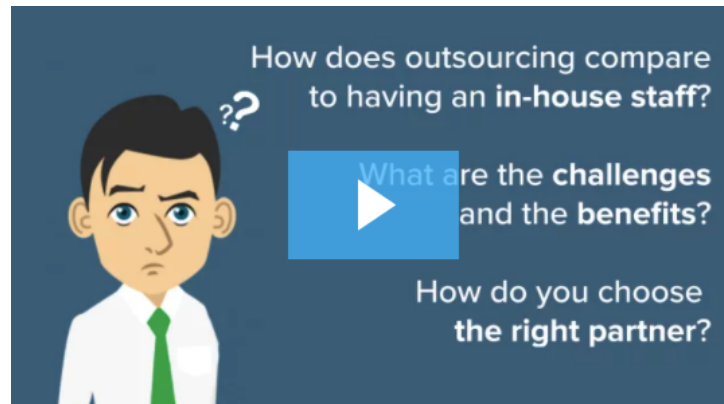
5. Maintain Your Financial Statements

Keeping accurate financial records takes time, energy, and know-how, but it's well worth the effort.

When your cash flow statement, charts of accounts, balance sheet, and profit and loss statement are regularly updated, you'll not only be ready for an audit when the time rolls around, but you'll also have a clearer understanding of your business's ongoing financial health.

Be sure your back office maintains current notes on all the financial statements you receive throughout the year. These notes should answer any questions your auditor might have regarding the information listed.

For example, you should include the assumptions made by accountants during preparation or accounting policies, commitments, a breakdown of any purchases or sales, and details of the listed liabilities and assets.



[WATCH] Is It Time To Outsource Your Back Office Financials?

When your business is audit and tax ready at any point in the business year, in turn, your business will be decision-ready.

An outsourced accounting service will regularly generate and supply you with your management accounting reports. As a result, you'll be able to utilize key performance indicators (KPIs) and company scorecards that have been customized to track and measure the business goals that are most important to you. With these reports, you'll not only be [audit and tax-ready](#), but you'll also be able to make data-driven decisions in real-time.

Being Ready for an Audit Means You'll Be Prepared for Tax Time, Too!

When you take the time to prepare for an audit by staying current with your bookkeeping and accounting systems and ensuring that all your financial reports, documents, and forms are current and organized, then you'll also be prepared when tax time rolls around.

This kind of [year-end planning](#) keeps your paperwork neat, tidy, and up to date, and it won't just save you money during your next audit, but it'll also help you save when it comes time to file your taxes.

Streamlined Record Keeping and Financial Reporting with the Right Team and Technology

So, you don't have the time to keep up with housekeeping tasks on a regular basis? Well, you're not alone. Most business owners and CEOs don't have the time – and they shouldn't be spending their high-value time on bookkeeping and accounting management, anyway.

Instead of devoting your valuable time to learning how to maintain and organize records and generate accurate financial reports or tacking on a huge chunk of change to your overhead expenses by hiring an in-house finance department, you can consider outsourcing these tasks to a team of experts.

With outsourcing, you can have an entire bookkeeping and accounting team at your disposal for a fraction of the cost of hiring a full-time, in-house team. You'll benefit from their knowledge base, industry experience, and it won't damage your bottom line. With this kind of expertise at your fingertips, your business will have a well-established, streamlined system of bookkeeping and accounting tools, technology, and protocols in place to protect your business from fraud, help you save money, and ensure you're well-prepared for your next audit or tax filing season.



Frustration from inaccurate financials ends
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