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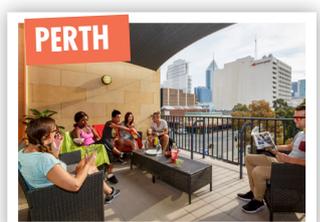
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\*School groups only at selected locations. Teachers accommodation based on twin share.

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# How to be nice to your auditor!

*Wendy Collins and Ryan Stevens*

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**“W**hat did the auditor do to liven up the office party? He didn't show up.” Poor auditors! They tend to be on the receiving end of so many bad office jokes.

Their visits to schools are rarely anticipated with joy. Administrative and finance staff will likely feel some trepidation surrounding pending arrival of the audit team. Your staff will probably become irritated as they anticipate the auditors' interruptions and requests for information and files. They will start quietly counting-down the hours until the auditors have come and gone.

What can you do to help the audit process run smoothly?

First of all, it helps if staff understand the reasons for the audit and are able to decipher some of the associated terminology.

Auditing began as a fraud-detection mechanism by ship owners in the 1600s. Now

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auditing has become an integral part of most organisations' corporate governance.

There are two main types of auditors, external and internal, and their functions are quite different.

External auditors are independent investigators in practice in public accounting firms. They are responsible for auditing the published historical financial statements of all publicly traded companies, and many other companies or non-commercial organisations. Publicly traded companies in Australia are required to have audits under the *Corporations Act 2001*. However, even without such legislative requirements, many organisations voluntarily

arrange for such audits. The aim is to provide assurance to owners, investors or governing bodies about the 'truth and fairness' of their financial statements, and whether or not they have been prepared in compliance with accounting standards.

Either the State Government or your school authority, (or both), might require an external audit of your school's financial statements.

Internal auditors provide more diverse functions than external auditors. They are appointed by management in a consultancy role to add value and to improve an organisation's operations. Key areas which they often review are risk management processes and the policies

for control and governance. They might also evaluate effectiveness and efficiency of resource use and will often compare your organisation's operation to best practice in the market.

Your school may (and should) employ both types of auditors. Don't expect a visit from an old, greying audit partner, with zero personality. Despite the jokes about boring, conservative bean-counters, the auditing profession commonly attracts young, vibrant professionals who can navigate their way around your programs, policies and spreadsheets with ease.

They will be checking for any potential frauds or errors in financial recording or reporting. They will also ensure that your school's accounting procedures are in accordance with Australian Standards, and they will assess the quality of your information systems and control mechanisms. They will also look for possible improvements to your systems and provide valuable advice.

External auditors are required to provide an audit report. This will contain an outline of both management's and the auditor's responsibilities and then an auditor's opinion. You want this opinion to be unqualified, that is, without any statements such as subject to, or except for. Remember that the financial statements are your school's responsibility, not the auditor's. Your auditor can contribute a great deal to the quality of the information presented and may even suggest some overall improvements in process, internal controls and reporting, but the financial reports will still remain finally and solely your responsibility. There shouldn't be any surprises by the time the audit report is presented. Anything your auditor suggests should be discussed and agreed to by you, since you're the one who is able to action the changes, both in the short term and long term.

Other types of audit reports (which you hope not to receive), are an adverse opinion or a disclaimer of opinion. An adverse opinion is only delivered when the auditor believes that the financial statements are misleading or misstated. A disclaimer of opinion will be issued if the auditor is unable to obtain sufficient audit evidence on which to form an opinion.

Try to approach the audit with a positive mindset. The auditors are there to protect stakeholders and are meant to question your practices in order to provide an independent view for the assistance of management. These views won't necessarily always align with yours, and may require some further discussions. Remember that auditors are not there to point the finger, but to partner with you in the improvement of systems and internal controls. If your school finance department operates with integrity and honesty, then you should have nothing to worry about. If there has been any fraud committed, or serious errors made, an audit increases the likelihood of its detection.

If you have valid frustrations about some of the school's accounting processes or control functions, then chances are, these shortcomings are also likely to be featured in the auditor's findings as well, and will make their way to higher management levels. This is exactly the sort of support you should desire, so work with your auditors and remember that they are there to make your job easier overall.

If you do have concerns about particular aspects of your processes or reports, then be honest and don't sugar-coat any issues. They are likely to be revealed anyway, so why not make the whole exercise easier for everyone?

Here are some other ways that you can help the audit run smoothly and be less disruptive for you and your staff members:

### 1 Audit timing and start date

Plan well ahead, as audits will take a good deal of time and attention from your accounting team. Any other projects should be put on hold so that you have time available to meet with auditors and work specifically on audit tasks. You might be able to negotiate dates based on work load and time constraints. If you think that you won't be ready at the agreed time, then don't start the audit. It's better to phone the auditors and postpone for a few days or weeks than to have the auditors arrive and find that some of the information is not ready. This will only increase your audit costs and add to frustration all round.

***Your auditors are well-connected and can promote your school's reputation in a positive way. Give them lots to talk about for all the right reasons...***

### 2 Scope

The auditors will give you a list of their requirements and an engagement letter. Understand exactly what the engagement entails and if you have any questions, don't be afraid to ask.

### 3 Communication

Hold regular meetings with the auditors to determine the ongoing status of their investigation and help them work through any potential road blocks. Be proactive and talk with them every day, to see how they are going and if they need anything.

Let everyone in your school know that the auditors are on the premises and explain what they are there to do. This helps reduce any general fear associated with audits. Never bad-mouth the audit team to school personnel. This only adds to the general negative association people may have with audits and can escalate any issues or differences of opinion which you might be currently discussing with the audit team manager.

### 4 Professional courtesies

Ensure that you get to know the auditors' names and then introduce them to key people in your school. Show them where the coffee is kept, or better still, provide them with some snacks or drinks from time to time. Provide a clean, quiet, air-conditioned room, where they can work productively as well as have sensitive conversations.

### 5 The audit team

Don't pick on the most junior auditor in the team. It is not a contest to determine who has superior intelligence – your finance team or the audit team. If the audit firm has sent a junior auditor to do most of the ground work, then be grateful. This can indicate that, from past experience, the auditors anticipate your school finances to be in reasonably good order, and they are not expecting any tricky issues. The better your systems and internal controls then the easier the work is for your auditors, and the less costly the audit will be for your school. The input of senior members of the audit team might only be required in the planning or final stages of an audit.

One final thought to consider, is your school's reputation. By the end of an audit, the auditors will have gained a thorough understanding of your school, its management and its administration. The team will have also walked through the school grounds and encountered your pupils. They have judged whether your students are polite and courteous and they will have overheard what your staff whinged about in the staff room. They have reviewed the minutes of your P&F meetings, and other executive or board meetings, and have gained insight about your vision and mission. Your auditors are well-connected and can promote your school's reputation in a positive way. Give them lots to talk about for all the right reasons.

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