

Ready for Audit Factsheet



Dunedin Community Accounting

A free service for clubs, societies and other not-for-profits

What is an Audit?

An audit is an engagement whereby an independent expert, the auditor provides an opinion that is designed to give a high but not absolute, level of assurance that the financial statements of an entity do not contain material misstatements. This is designed to increase the creditability of the information contained in the financial statements.

Why have audits?

External assurance can play a valuable role in the complex set of accountability relationships between your organisation, your members and supporters, your funders and other parties.

Is an Audit required?

Your organisation may be required by your constitution to have your annual financial statements audited. If you are applying for funding, it is also common for funding bodies to ask for audited financial statements, irrespective of the size or budget of your organisation or the amount of funding sought.

Source: NZICA Information for Not-For-Profit Organisation

Who is qualified to reform an audit?

The auditor must:-

- Be appropriately qualified, preferably a chartered Accountant holding a Certificate of Public Practice
- Have appropriate relevant experience
- Be independent of your organisation
- Be credible to your organisation

To find an auditor check your phonebook (yellow pages)

Look on the New Zealand Institute of CA website (www.nzica.com) or

Ask around other organizations you know.

Source: NZICA website "Not-For-Profit Sector Appointing Auditor"

What does the auditor require?

There is no 'one size fits all' approach to what you are required to have prepared for your auditor. You will need to sit down with your auditor to determine what your organizations needs are (Different organizations will have different legislative reporting requirements).

The starting point for every audit is your statement of financial position, and statement of financial performance, along with notes to your statements (outlining the policies you have used to prepare your statements).

- You may also need to prepare a statement of cash flows and statement of movements in Equity.
- Auditors want as much information as possible to determine the accuracy of your financial statements, source documents such as:-
- Invoices and receipts
- Your cashbook
- Cheque butts
- Receipt books
- Bank statements
- Bank reconciliations
- Grant remittance advice (i.e. funding receipts)
- Minutes of your meetings
- Details of your processes for dealing with money and how you separate duties where applicable

These are essential (if applicable to your organisation) and should be included in what you send to the auditor. These documents allow the auditor to have transactions and get a firm grasp on your organisation.

By having the above information ready prior to the commencement of the audit, you can minimize time and cost and keep auditor happy. For more information go to www.nzica.com

Source: NZICA website "keeping auditor happy"