A FINANCE DIRECTOR'S GUIDE TO AUDITING IN HIGH-GROWTH ORGANIZATIONS

ORACLE
NETSUITE

Grab a seat and enjoy.
Read Time: 3 minutes

A FINANCE DIRECTOR'S GUIDE TO AUDITING IN HIGH-GROWTH ORGANIZATIONS

Introduction

The audit process for a growing business can feel particularly onerous.

A developing finance team works hard to build controls and processes that don't hold the business back but are still able to monitor and steer its progress forward. And compliance-focused audits can feel, from both time and cost perspectives, poor value.

Let's talk about what audit is for a growing business, and how to improve its value.

What does audit mean for a growing business?

An 'audit' will mean different things to different people and organizations, at different times. The finance function in a growing business is looking to enable the business to accelerate its growth path. This generally means it's 'all about sales'—in other words, generating cash.

Whether an internal audit process is being undertaken, or external auditors are signing off the year-end accounts, the finance function of a growing business will be concerned about taking their eyes off the day job. Managing cash generation in a small finance function could be put at risk if all hands on deck are working on a parallel compliance task.

Why are audits burdensome and costly?

It can seem that audit processes are merely box-ticking exercises. But don't forget that, whether an external or internal compliance process, these are in place to spot fraud and error.

However, inefficiencies in finance systems are costly from both financial and time perspectives. Signs of inefficiency include answering the same questions from auditors year-after-year, or reconciling figures multiple times.

The additional time it takes to answer an auditor's questions, most of which is spent trying to find and organize the data, not only adds to the original audit time schedule, but will give auditors the sense that internal controls and data are not as reliable as they should be. This could lead them to adjust the scope, sample size and materiality level—adding to their time on the audit that wasn't originally included in quoted costs.

As a consequence, your audit may cost more and take longer than expected.

Internal audits

- Internal audits get left out by growing companies due to time constraints.
- CFOs and finance directors assume their controller, managers and staff know what they're doing—but growing businesses move so fast that what were once minor short cuts become bigger problems, particularly when team members leave, new ones join, and the organization becomes too large and more complex.
- Systems usually fail to filter information, making the process overly time-consuming.

External audits

- As your business expands, or sets up in new jurisdictions, audit costs will also increase. The robustness and transparency of your systems and processes will dictate whether they increase in line with your rate of growth, at a slower rate or even faster as complexity increases.
- If you're using manual or basic systems, then it will take you longer to answer auditors' questions.
- Multiple local accounting systems will have different internal controls that auditors would need to document and audit.
- Auditors can work with HQ staff more directly when there's a global cloud ERP system, reducing the need to travel to other locations to deal with local staff and local systems.
- If you take a long time to answer auditors' questions, or fail to answer them adequately, they will ask more. And their time equals money.

A modern alternative

You no longer require teams of accountants sat at a row of desks—or in your meeting room—to run an audit process. And you certainly don't want them finding lots of errors or examples of bad processes. This will increase their cost to your business and force the finance function into sticking plasters over its systems and working practices.

Thankfully, time and technology have moved on.

A global cloud ERP system across the whole business will provide auditors with the insight and reassurance they require from a fast-growing organization, keeping audit costs to a minimum.

It is now possible to automate much of the audit process, which has the added bonus of enabling auditors to examine much larger tranches of data. This ultimately provides better and quicker audits.

What you want your systems to be like
If an audit is about verification, then you want your finance system to be able to flag up issues, and filter information, effectively.

Take invoice payables, for example. You want a system that flags up items above a certain value or spots an increase in volume of invoices from a particular supplier.

The system then needs to be able to present that information in a format that is easy to comprehend and—importantly—allow finance to quickly delve deeper into the issue.

Audit and the bigger picture
A modern finance system, for businesses of all shapes and sizes, should help spot errors, discrepancies and ultimately fight fraud. A happy side-effect will mean quicker and more efficient audits.

But if the system is flexible, its competency and usefulness will be retained as your organization develops and changes.

Timely, reliable reports and data also reassure lenders, investors, stakeholders and the board.

Ultimately, having a strong grip of the finances means that information can be used to more accurately gauge the business' current performance and better plan its future.

ORACLE®
NETSUITE