

PREPARING FOR AN AUDIT – Part I

An audit is a systematic and independent examination to determine whether activities and related results comply with planned programs. Programs are reviewed as to whether they are implemented effectively and are suitable to achieve the stated objectives. The process of an audit is to verify documentation to ensure that written procedures and policies are followed and all paperwork is completed and records are accurate.

Audits should be used as control mechanisms for management, tools for continuous improvements, and assisting to ensure that ongoing systems and controls are operating as intended and required. Audits may be opportunities to find solutions that will assist your organization operate more efficiently.

What you can do to prepare for an audit.

- Keep up to date with all of your financial records. Keep current.
- Call your auditor a couple of months prior to your year-end to ensure that they have you scheduled in a timely manner. This will assist in getting your audit completed on time.
- Have your books completed in advance of the scheduled audit date to allow for reviewing of accounts and preparation of the following information.
- Review your revenue and expenses and ensure that all deposits and expenses have been properly allocated. {For instance Sport Manitoba Grants must be identified on your statements as Sport Manitoba Grants. A breakdown can be included in a schedule or the notes. Monies received from bingos must also be identified on the statements as Manitoba Lotteries Corporation.}
- Inform your auditor of any pending legal issues.

In addition the following should be readily available and in an organized manner for the auditor:

- Current bylaws
- Cheque book, register and cancelled cheques (including voided cheques)
- Bank statements and deposit receipts
- Cash receipts
- Authorizations for payments
- Itemized statements and receipts of bills paid
- Monthly financial reports and monthly bank reconciliation's
- Printed General Ledger
- Printed Financial Statements
- Trial Balance
- Annual treasurer's report GST filing requirements

- ❑ Copies of executive committee, board and association minutes, which would include an adopted budget, any amendments that were approved during the year, approval of expenditures, and ratification of payments
- ❑ Committee reports from chairmen (i.e., fundraising, membership, etc.)
- ❑ Applicable reconciled schedules as they apply to your association.

Finalizing the Draft

- Ensure that you receive draft statements from your auditor to review with your board.
- Ask for a copy of the adjustments that have been made and ensure that you understand any transactions and that they have been done correctly.
- Again, ensure that everything has been properly classified (i.e. Sport Manitoba Grants and Manitoba Lotteries Corporation and any other funder that may require this).
- Meet with your auditor for discussions and to finalize your statements.
- Review your GST for the upcoming year to ensure that you are currently following the correct rules that apply to your organization. This can change year-to-year depending on the percentage of grants received.

Source: Guide to Audits of Not-for-profit Organizations & Auditing An International Approach

Things to remember:

No one likes to be audited. Knowing what to do can make it easier. A positive and constructive attitude toward auditing can make the exercise more enjoyable for both the auditor and the association.

Be patient.

- ❑ Wait for the auditor to ask a question.
- ❑ Listen closely before answering any question(s).
- ❑ If you are not sure you understand the question, ask the auditor to repeat it.

Ask questions.

- ❑ Ask for explanations.
- ❑ If you still do not understand the question ask the auditor to better explain him/herself.
- ❑ Never answer a question you do not understand.

Be specific.

- ❑ Always tell the truth
- ❑ Don't attempt to 'fake it.'
- ❑ Don't try to hide from the auditor.
- ❑ Don't try to answer a question for another person. Tell the auditor whom they should ask.

**Stay tuned for Preparing for an Audit – Part II.
This edition of PSO Power Tools will be distributed in April.**

Publication of the PSO Unit

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