



How to Ensure a Total Audit Disaster



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About SkyStem

SkyStem makes ART – a month-end close and reconciliation software for the busy accountant that is affordable and easy to use.

ANNOUNCEMENTS

Free Webinar (1 CPE) – 10 Ways to Fall in Love with the Month-End Close

Feb 10 & Feb 23

CFO Connect – Las Vegas, NV

March 5 to March 7

www.connectcfospring.com “SKY2017”

ICBA -- San Antonio, TX

March 14 to March 19

Life Science Forum – Arlington, VA

March 15 to March 16

What is the purpose of...

External Auditor

Internal Auditor

What should we aim for when it comes to audit?

1. Meet expectations from internal and external audit.
2. Increase process maturity through improving operational effectiveness, efficiency increase, and/or becoming more competitive through benchmarking or experimentation with leading practices.

If these two objectives cannot be achieved, then you will achieve an audit disaster instead.

Universal Ways to Ensure an Audit Disaster

Be Clueless

Consequence:

1. Increased professional skepticism
2. Deeper audit work
3. Less reliance on process owner explanations

Universal Ways to Ensure an Audit Disaster

Skip Documentation

Consequence:

1. No credit for work performed 😞
2. A more contentious audit

Universal Ways to Ensure an Audit Disaster

Miss Deadlines

Consequence:

1. Increased professional skepticism
2. More crunched audit window

Universal Ways to Ensure an Audit Disaster

TMI. Or Too Little.

(TMI = Too Much Information)

Consequence:

1. Longer and more drawn out audit
2. Scope creep on the audit
3. Suboptimal recommendations

Universal Ways to Ensure an Audit Disaster

Perception of Impropriety

Consequence:

1. Increased scrutiny and alarm
2. Potential deeper investigation
3. Negative impact on reputation

Universal Ways to Ensure an Audit Disaster

- #1 Be Clueless**
- #2 Skip Documentation**
- #3 Miss Deadlines**
- #4 TMI. Or Too Little.**
- #5 Perception of Impropriety**

Introducing

The Capability Maturity Model

The Capability Maturity Model

A way to define process maturity.

- Optimized (L5)** Continually improving in performance. Makes innovation possible.
- Managed (L4)** Usage of metrics and more mastery.
- Defined (L3)** Documented and subject to improvement.
- Repeatable (L2)** Mostly consistent. Not rigorous or disciplined.
- Initial (L1)** Undocumented, chaotic, reliant on heroics.

The Capability Maturity Model

Initial Stage

Telltale Signs: Unpredictable. Crisis mode. Staff constantly forced to go “the extra mile.” High trust factor. High cost.

Audit Concern

- The uncertainty of a major finding
- The time it takes to get through an audit

The Capability Maturity Model

Initial Stage

Solutions for a Better Audit Experience:

- Develop Process Consistency
- Document the Process from Cradle to Grave
- Lean on Your People

The Capability Maturity Model

Repeatable Stage

Telltale Signs: Mostly consistent results. Not rigorous. Still people intensive. Not efficient.

Audit Concerns

- Findings that require process change
- Perceived “nitpick” findings

The Capability Maturity Model

Repeatable Stage

Solutions for a Better Audit Experience:

- Adopt Enabling Technology
- Start Looking for Process Synergies

The Capability Maturity Model

Defined Stage

Telltale Signs: Documented procedures. Subject to some degree of improvement. Typically the optimal “as-is” state.

Audit Concerns

Not evolving, because things are pretty good already.

The Capability Maturity Model

Defined Stage

Solutions for a Better Audit Experience:

- Adoption of KPIs (key performance indicators) and Metrics
- Lean on Audit for Benchmarking

The Capability Maturity Model

Managed Stage

Telltale Signs: Usage of process metrics for short and long term goals. Enablement of data review to identify, execute and measure a process change. Total command of the process and larger degree of automation.

Audit Concern

The decision on whether or not to try for Optimization.

The Capability Maturity Model

Managed Stage

Optimizing the Audit Experience:

- Automate Metrics and KPIs
- Foster a Continuous Improvement Environment

The Capability Maturity Model

Optimized Stage

Telltale Signs: Process optimized based on innovations to meet and exceed best in class and possibly even a competitive advantage that contribute to higher profitability.

-----**This is the ideal end state**-----

And now...

The Conclusion

Thank You!

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