

Working with Your External Auditors

The Dos and Don'ts

You know they're coming, and they'll keep coming every quarter. Your external auditors were hired to regularly carry out independent audits of your company based on specific laws and ensure that the information you report to shareholders and the general public presents a true and fair representation of your company's financial activities. For many companies, however, there is a lot to dislike about the audit process. After all, your auditors are there to check your work—scrutinize it and identify mismanagement. Even if you are doing everything correctly, their presence can be uncomfortable.

Here are some dos and don'ts to help you feel a little more at ease the next time your external auditors are onsite.

Do make sure the timing of the audit fits your company's schedule. Consider internal deadlines, e.g., performance award vesting's, global ESPP purchases, when setting the schedule and be sure they are communicated to your auditor to minimize disruption to your department. This way you can ensure your department can respond to audit requests timely, helping the auditors complete their work within the scheduled time.

Don't be unprepared. Being prepared for an audit before you go into it will greatly assist in getting through it more quickly and seamlessly. Your lead auditor should provide the company with a detailed list of reports, e.g., summary of options exercised and awards forfeited/cancelled during the period, etc. and other information needed for the audit in advance of fieldwork. Use this list to prepare accordingly and have each item ready when the auditors arrive for fieldwork.

Do designate an audit liaison person within your department who will act as the auditors' main contact. Coordinate all responses and deliverables through them and be sure that all staff knows who this person is.

Don't delay in providing responses to auditor requests. Long delays in delivering requested materials and documentation can make the suspicious auditor even more suspicious.

Do create and keep an audit file that contains: all audit correspondence; notes of all conversations with the auditors and a copy of every document provided to the auditors (arranged by category and/or transaction, e.g., grants, exercises, ESPP purchases in the period). This is a great way to document the review so that you know exactly what documents and information you have provided the auditors with. It also allows you to quickly access source data or transactional details in the event anyone has questions about them later.

Working with Your External Auditors

The Dos and Don'ts

Don't be afraid to ask for clarification. Pushing back on requests from your auditors may be necessary from time-to-time depending on their level of knowledge about equity compensation. Remember, you work with these processes and concepts every day and they likely do not. Be sure, however, to approach them from the viewpoint of clarification and understanding. Questioning the purpose of the inquiry can often clear up issues and leads to the auditors getting the best documentation that they need for their work.

Do think like an auditor when you are carrying out your job. Auditors look for processes that will assure them that appropriate controls are in place to ensure the integrity, accuracy or privacy of the data being examined. Use the tools available in your software systems, e.g., comment/notation fields and error checking features; document procedures step-by-step; use checklists and a tie out binder each period to manage your data and processes. Further, look for inaccurate and inconsistent data when you are ticking and tying information and/or reviewing reports from your database, e.g., vesting/expiration dates that are out of order; options exercised after cancellation; options granted after termination (or options cancelled before granted).

Never surprise your auditors. Auditors don't like surprises, particularly if they have a potentially significant impact on potential findings or the audit report.

Do use your auditors as resources. If something comes up during the year and you are not sure how to handle it, call your auditor. While they must maintain their independence, it doesn't preclude them from getting an interpretation from their national office or advising you on what the accounting standard says. This will also help during the audit to avoid any questions about the proper accounting for transactions if they are discussed up front.

Do listen to Computershare's webcast, [Ready or Not, Here Comes the Global Audit](#), for more dos and don'ts to working with your auditors!