

ASK THE EXPERTS WEBINAR

*Audit Readiness: Setting Yourself up
for Success*

December 12, 2019

THE RIVERON TEAM



Michael Cahill

MANAGING DIRECTOR

Michael's 19 years of experience in accounting and financial leadership roles include IPO readiness, audits, SEC reporting, financial reporting, project management, mergers and acquisitions, and due diligence.



Matt Tepfenhart

DIRECTOR

Matt has over 14 years of experience providing audit readiness to newly acquired private businesses, due diligence, financial reporting, implementations of ASC 606 and 842, and auditing services to both large, international public and private companies reporting under U.S. GAAP and IFRS.



Brad Webster

SENIOR MANAGER

Brad has 10 years of experience in leadership roles in both accounting and finance. This experience includes, mergers and acquisitions, restructurings, IPO and audit readiness, and performing integrated audits for private and publicly traded international companies reporting under US GAAP and IFRS standards.



Craig Rowlings

MANAGER

Craig's 9 years of experience include Audit, Tax and Corporate Finance functions. Since working at Riveron he has been involved in several Fortune 500 client advisory projects involving system implementation and new accounting standard adoption.

KEY REMINDERS AND CPE

- ▶ Riveron webcasts – past and upcoming
- ▶ CPE Information
 - ▶ Actively participate for the duration of the webinar
 - ▶ Respond to 3 of the 4 polling questions
 - ▶ On demand video is not eligible for CPE
- ▶ If you have questions, feel free to ask in Q&A option in Zoom
- ▶ Webinar evaluation form & CPE certificate will be emailed to you
- ▶ You will receive a follow up email including:
 - ▶ Access to this webinar recording and slide deck
 - ▶ The ability to join our *Ask The Experts* mailing list to receive information on future webinars and events
 - ▶ Presenter contact info

LEARNING OBJECTIVES

- 1** HOW TO IMPROVE YOUR CLOSE PROCESS AND LEVERAGE IT FOR AUDIT READINESS
- 2** KEY AUDIT PREPARATIONS DURING THE AUDIT LIFECYCLE
- 3** HOW TO IMPROVE THE MANAGEMENT OF YOUR AUDIT
- 4** BENEFITS OF AUDIT READINESS

Polling Question 1

What creates the biggest issues during your audits?

- A. Misunderstandings and poor communications
- B. Lack of or poor quality of supporting documentation
- C. Lack of upfront audit preparation
- D. Technical matters

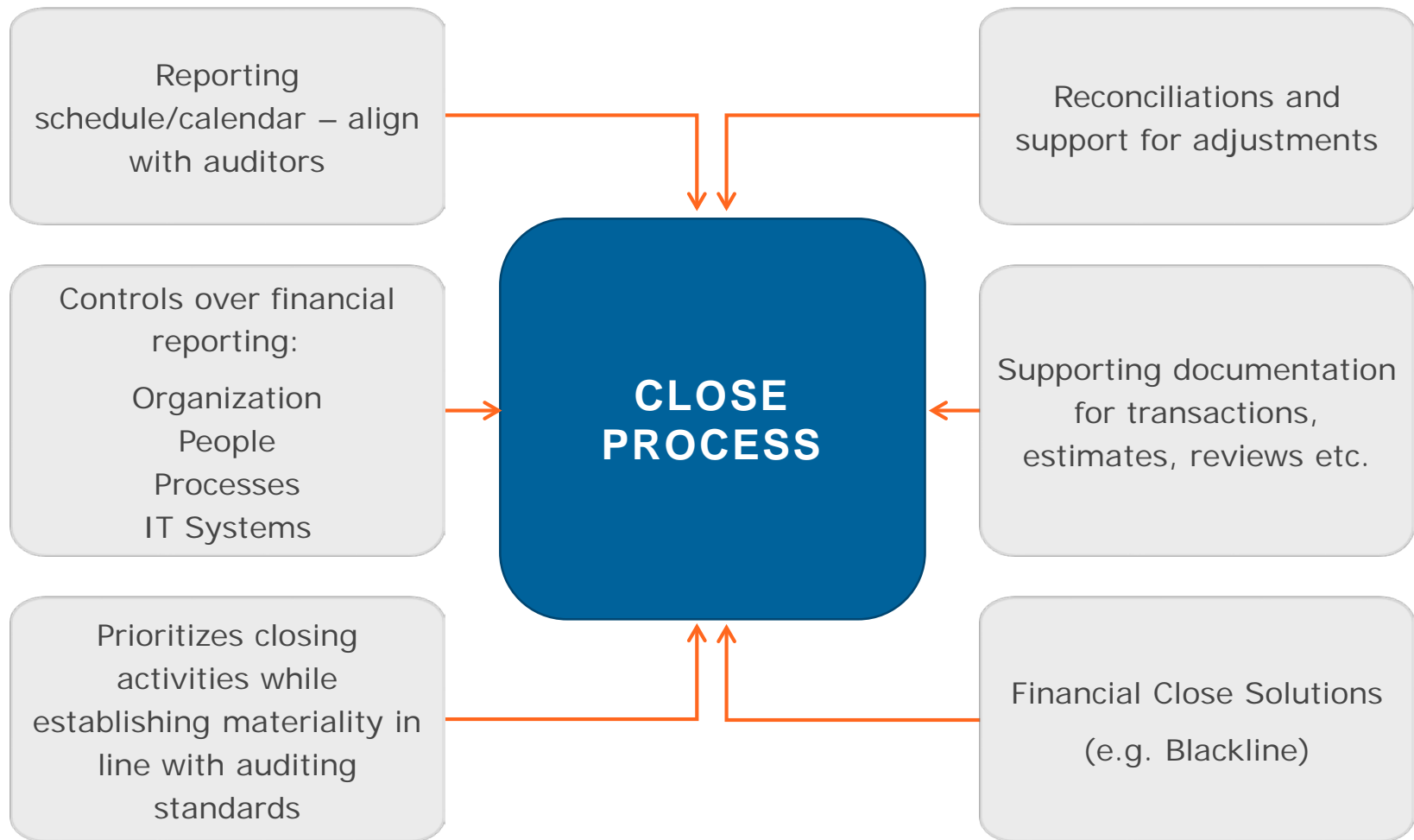


AUDIT READINESS: CHALLENGES FACED BY COMPANIES

What challenges does your company face?

- ▶ Is your staff being stretched during audit preparations, placing undue pressure on other important business processes?
- ▶ Does your team lack personnel with the appropriate level of experience and training necessary to achieve your audit?
- ▶ Does your audit result in overruns with auditors requiring additional fees?
- ▶ Does your auditor propose audit adjustments or control deficiencies as a result of calculation errors in preparation or issues with supporting documentation?
- ▶ Do your stakeholders ask for financial statements earlier than your company can deliver them?
- ▶ Is it difficult to meet deadlines in your year-end schedule?
- ▶ Do you experience communication issues and misunderstandings of expectations with your auditors?

CLOSE PROCESS: CONSIDERATIONS FOR IMPROVEMENT



AUDIT PREPARATION: 5 PHASES TO THE AUDIT LIFECYCLE



Polling Question 2

Who is your current auditor?

- A. Deloitte
- B. PricewaterhouseCoopers
- C. Ernst & Young
- D. KMPG
- E. Grant Thornton
- F. BDO
- G. Crowe Horwath
- H. RSM
- I. Other



1 AUDIT PLANNING PHASE

AUDITORS	CLIENT
<ul style="list-style-type: none"> ▶ Understanding the business 	<ul style="list-style-type: none"> ▶ Request continuity in audit team ▶ Set fieldwork dates for interim and final
<ul style="list-style-type: none"> ▶ Making risk and materiality assessments 	<ul style="list-style-type: none"> ▶ Discuss significant current year changes: <ul style="list-style-type: none"> ▶ Changes in accounting systems ▶ M&A activity ▶ Significant contracts/transactions ▶ Change in accounting policy/estimates ▶ Technical accounting matters ▶ New applicable guidance/pronouncements ▶ Change in company personnel
<ul style="list-style-type: none"> ▶ Determining an audit strategy: <ul style="list-style-type: none"> ▶ Test of controls ▶ Substantive approach 	<ul style="list-style-type: none"> ▶ Engaged specialists early (set deliverable expectations consistent with auditors): <ul style="list-style-type: none"> ▶ Tax specialist (Tax provision) ▶ Valuation specialist (805 and 409a) ▶ Actuary (Pension Plans)

2 INTERIM AUDIT PHASE

Benefits of doing interim audit work:

- ✓ Alleviates staff workload during year end
- ✓ Less costly during non-peak audit season
- ✓ Can issue audited financial statements earlier
- ✓ Early detection of issues for correction

2 INTERIM AUDIT PHASE

Which financial statement line items should be addressed during interim?

BALANCE SHEET

- Acquired intangible assets and goodwill
 - ASC 805 valuations
- Additions and disposals of PP&E
- Deferred revenues
- Debt liabilities
- Equity rollforward activity
 - 409a valuations
 - Embedded derivatives



INCOME STATEMENT

- Revenue recognition
- Cost of sales and expenses
- Depreciation and amortization
- Amortization of debt issuance costs and discounts
- Interest expense
- Stock-based compensation

3 AUDIT PREPARATION PHASE

Key considerations during audit preparations

- 1. Discuss the auditor request list and set reasonable and agreed upon delivery dates**
- 2. Deliver trial balance timely so auditors can set materiality and sample sizes**
- 3. All audit schedules to be prepared and reconciled to the trial balance**
- 4. Obtain status updates from specialist, introduce to auditors and communicate deliverables**
- 5. Prepare all technical memorandums**

Polling Question 3

How long does your fiscal year audit typically take to complete?

- A. Less than 1 month
- B. 1-2 months
- C. 2-3 months
- D. Greater than 3 months



4 AUDIT EXECUTION PHASE

- ▶ **Stick to Audit Request Delivery Dates**
- ▶ **Obtain regular (weekly) status updates:**
 - ▶ **Internal accounting staff**
 - ▶ **Auditors**
- ▶ **Ensure clear and concise messaging to the auditor**
- ▶ **Continuously deliver on audit samples requests to maintain momentum of the process**

4 AUDIT EXECUTION PHASE

Importance of momentum in the audit sampling process:

- ▶ The most common form of substantive audit evidence is obtained through statistical and non-statistical sampling measures
- ▶ Extensive process from auditor and client standpoint
- ▶ The impact of the errors identified are only quantifiable in the later stages of the process
- ▶ Can result in additional selections being made or a complete rework of population and starting the entire sampling process again from the start.



5 REPORTING AND CONCLUDING PHASE

1. Financial statements and support thereof to be delivered at a minimum of two weeks before the audit report date
2. Prior year unrecorded and recorded misstatements should be reviewed and ensure they do not recur
3. Remediate internal control deficiencies early on in the prior year audit



Keeping pressure on your auditors to issue your audited financial statements

HOW TO IMPROVE THE MANAGEMENT YOUR AUDIT

1. Set expectations: Interim and audit request lists:

- a. Clarify requests with auditors and communicate clearly to staff preparing these
- b. Set reasonable delivery dates for each request and ensure you meet these deliverable dates
- c. Ensure all audit requests are made through the request list and deliverables are tracked

2. Communication: Hold weekly audit meetings and staff meetings:

- a. Discuss the ongoing status of the audit request list
- b. Have your auditor present to you their progress
- c. Discuss audit issues and solutions to those issues with your auditors



BENEFITS OF AUDIT READINESS

PROCESSES



- ▶ Identify possible bottlenecks and technical issues early on with sufficient time to remediate.
- ▶ Accounting and finance teams are able to spend more time on operations/regular day-to-day job

COSTS



- ▶ Less time pressure results in less errors which equates to realize cost savings
- ▶ Avoid additional audit work / re-work resulting in reduced overruns

STAFF RESOURCES



- ▶ Reduce risk of delays and operational stress on your company during the audit and
- ▶ Prevent staff burnout

ACCOUNTING AND COMPLIANCE



- ▶ Raise stakeholders confidence in audit process through meeting audit expectations and deadlines
- ▶ Improved relationship between company and its auditor

Polling Question 4

How would you like to better prepare for your year-end audit?

- A. Push for auditors to perform interim work
- B. Improve our financial close process
- C. Identify a point person to manage the audit
- D. Address technical matters and events upfront with our auditor
- E. Our audit runs smoothly



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Q&A