

5 tips for choosing an auditor

Auditors are important. Many Christian churches and ministries are required either by law or by their Constitution to appoint an auditor to give an opinion on whether their end-of-year financial statements comply with law and provide a true and fair view of their finances. Many stakeholders such as donors and suppliers take comfort from seeing that an independent expert has looked at and validated the accounts against auditing standards (similar to the way that the CMA Standards Council examines and validates governance against governance standards).

From time to time it's necessary to choose or replace an auditor, for example for a start-up organisation, when an auditor retires or when an organisation reviews its needs and decides it needs a different service. Here are our five tips for how to go about that process:

1. Set up a team

It can be a bit cumbersome to have the whole Board conducting the process. Another way to manage it is to use an existing Audit Committee (if there is one) or set up a special purpose Committee to carry out the task. The sorts of people to have on the Committee could include the Chair, the Treasurer, a couple of Board members who have finance experience, the CEO, the CFO or accounts team leader, and perhaps some "friends" of your organisation who have accounting experience, particularly if your Board is a bit light on in that area. The purpose of the Committee would be to identify and review potential auditors and then recommend one or two preferred candidates to the full Board for it to decide upon.

2. Make a plan

It's good for the Committee to agree a plan early about how to approach the task. This would include setting a timetable, deciding how to get staff feedback about how the previous auditor operated and any issues that had come up, whether the Committee wants to advertise generally or only approach a list of possible candidates (and if so who) and what the key characteristics are that you would want from your auditor. For example, it may be important to you to know that your auditor is Christian, that they have experience in your field, their geographic reach etc. Be aware that changing an auditor may well require regulatory approval which could take several months more, even after you have chosen the new auditor, so if you have a choice it may be wise to start the process soon after you finish an audit cycle to give you plenty of time before the next audit begins.

3. Prepare a profile

If you want to get good quality proposals, you first need to provide good quality information to your potential candidates. This shows the potential auditor that you are a reliable organisation, and allows them to give a more bespoke proposal to you. An information pack could include for example:

- An explanation of why the previous auditor is stopping (if this is sensitive, you may suggest that the candidate ring you for a discussion)
- Your 2 most recent set of financial statements
- Your head office address
- If your organisation consists of more than one entity (eg if it has several entities with different tax statuses), then details of all those entities

- What States you are registered in for fundraising and any special audit needs you may have in any particular State
- Your latest Annual Report
- Your Constitution (and the constitutions of any other entities in the group)
- Your usual required time frame for your audit and normal AGM date
- Any other key requirements you may have (eg personal meetings with staff or the Board, attendance at your AGM)
- Any issues you may have had with a regulator or your previous auditor in the last 5 years

4. Tell them what you want to know

It's much easier to compare apples with apples! If you ask every candidate to provide the same type of information, you can then make a more informed choice. Some of the information you may want to know could include:

- Estimated price (including how fees are fixed)
- Other services they offer
- How they would manage an audit for your type of organisation, including how they report to staff and the Board
- How they would manage the transition
- CVs of their audit team
- How they supervise and train staff and any continuing education processes they may have
- Quality assurance processes used in their firm
- Statutory registrations
- Memberships of professional organisations
- Value adds (eg seminars, newsletters etc)
- Have they been investigated by ASIC, the ACNC or any professional standards body on ethical or audit quality issues in the last 5 years
- Details of similar clients they may audit
- References (for the final one or two candidates)

5. It's not just about price

You get what you pay for. Price is always important, but value can be even more important. Choosing a cheap auditor who is inexperienced in your field or who doesn't warn you about potential problems, or choosing an auditor with the reputation of being "easy" is not going to help you. A good auditor with a strong not-for-profits clientele can be a very helpful sounding board and provide timely advice to improve your processes, and will also give your organisation credibility. A good auditor can be worth their weight in gold!

Every organisation is different, so the process you choose will have to fit your needs. Bear in mind that those needs can change over time, which is why one of our Standards requires a Board to review the quality of its auditor's work (but not necessarily change the auditor if the review is satisfactory) every 5 years. Having the right auditor can make a big difference to your organisation.