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Ensure the smooth running of your annual audit – 5 tips for best practice

The end of the audit season is in sight for many fund managers; some will be reflecting on another job well done by the administrator, others may be heaving a sigh of relief.

A proactive administrator ensures that the audit process runs smoothly for a manager, avoiding last-minute panics and keeping the manager's time as free as possible during this busy period, to focus on their portfolio and investors. As audit time draws to a close, we outline five best practices to ensure a smooth, efficient and painless audit next time around.

1. PLANNING

All Funds registered with CIMA under either the Mutual Funds Act or Private Funds Acts (Mutual Funds & Private Funds) are required to submit a FAR every year. A different form is required for either a Mutual Fund or a Private Fund however the general information and requirements remain the same.

Your administrator has performed this process many times more than you and will be going through the same process with multiple clients concurrently. As a professional service firm, having built-in processes and a client-focused, proactive client service team ensures that everything is managed professionally and that nothing is left to chance.

Your fund administrators will have the experience required to communicate early, set timelines and assign roles and responsibilities. You can request that they drive a project plan and hold periodic meetings or updates to communicate progress and identify weaknesses early. Completeness, accuracy and good presentation skills will help reduce the likelihood of any misunderstandings or disputes during the audit process. As a client, you should have full transparency and confidence in the service you are receiving.

2. COMMUNICATION

Your administrator will have been selected by you with some key criteria in mind, most significantly being able to partner and communicate effectively with you. Your decision to outsource to have access to specialist expertise, experience and operational efficiency, means that your administrator should be effective at collaborating and realising these benefits for you.

It's helpful if your partnering firms have operational centres in time zones that align with your working day and it's essential that you feel there is a level of expertise that you can rely on and a continuity within the

service team. Your administrator will also need to keep open the lines of communication with auditors throughout the audit process and be responsive to their requests for information, making themselves available to answer any questions they may have. This will help ensure that the audit proceeds smoothly and efficiently.

3. EXPERTISE

By offering the highest service standards to your clients, you will no doubt be looking for the same from your administrator, however, not all service models are created equal and many 'tech driven' firms are unable to effectively service a client, becoming overly reliant on their underutilised technology and falling short on technical, industry expertise and client centricity.

If you do not have complete confidence in these key areas, you should be confirming with your administrator, well in advance of the audit, who is leading the team, what is their experience and their approach to staff continuity and succession planning for future audits.

Your administrator should be proactive and stay informed about any changes in accounting standards or regulations that may affect your fund. This will help you stay ahead of any potential issues and ensure that your financial reporting is compliant with current standards.

4. CLIENT SERVICE PHILOSOPHY

As part of your due diligence when assigning an administrator, it's important to gain an understanding of the firm's client service philosophy. Your fund administrator should be focused on collaborating with you, including scheduling and managing the timing of the audit. Their role is to take from you the burden of the audit process and be the main point of contact for all audit queries. As an example, prior to year-end, your administrator should liaise with the relevant audit firms to ensure all necessary pronouncements are included in the financial statement templates, preventing any last-minute surprises at the final review stage.

5. EVALUATION

It is important to ensure you review the audit process while the detail is still fresh in your mind. It is tempting to not make time to review the process; what went well and what gave you cause for concern. Be open and honest with your administrator with this feedback. If they have done an excellent job, let them know so they understand what aspects of their service are important to you. If they need to improve, the issues should be addressed to prevent the inevitable happening again next year.

Des Johnson, Global Chief Revenue Officer at Waystone: "By following these best practice guidelines, fund managers can help to ensure a successful and stress-free audit process, avoiding the potential pitfalls and meeting challenges head on along the way. Waystone Fund Administration provides valuable guidance and support, ensuring that your fund is fully prepared for the audit."

How can Waystone help?

Waystone manages the audit process for clients by using the data captured and generated in its day-to-day role as administrator. Our aim is to facilitate the smooth running of audits for our clients so they can focus on their portfolio and their investors.

We schedule and manage the timing of the audit and act as the main point of contact for all audit queries. Prior to year-end, we liaise with the relevant audit firms to ensure all necessary pronouncements are included in the financial statement templates.

About Waystone

Waystone is the leading provider of institutional governance, risk and compliance services to the asset management industry.

Partnering institutional investors, investment funds and asset managers Waystone builds, supports and protects investment structures and strategies worldwide. With over 20 years' experience and a comprehensive range of specialist services to its name, Waystone is now supporting asset managers with more than US\$2Tn in AUM.

At Waystone, we see ourselves as your architects in the world of asset management and our primary aim is simple: to design, build and support the investment structures and strategies you need so you can pursue your investment goals with complete confidence.

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