Measuring up

Given the current economic climate, it's more important than ever to choose an external auditor who can support your growth ambitions and add value. Fiona Haran reports

Companies of a certain size are required by law to undergo an annual audit to examine the accuracy and reliability of their financial statements. Audits can also be required if your investors and stakeholders demand one as part of funding agreements, or in the case of a shareholder dispute. Some businesses may also conduct a voluntary audit to ensure their accounts are in shape prior to meeting the criteria for a statutory audit.

Who needs to be audited?

A company's annual accounts must be audited if it has at least two of the following:

- **An annual turnover of more than £10.2m**
- **Assets totalling more than £5.1m**
- **50 or more employees on average**

Audits are usually carried out by an independent external auditor who will conduct tests on sample transactions and balances and provide recommendations on achieving greater efficiency. Here, three professional advisers outline some key points to consider when choosing a suitable auditor.

Interpersonal skills and experience

Lisa Calvert partner, audit and business advisory, Ford Campbell Freedman accountants, Leeds We get a lot of client wins through existing client and partner referrals. There's quite a lot of negativity around compliance as people think auditors will criticise their business. That shouldn't be the case, especially if you're entering the phase where you've just breached the audit threshold limits; it's a really exciting time for a business. Choose an adviser who you can have an honest relationship with and who wants to understand your business. Consider who your key contact is, as consistency of teams is important, especially in larger organisations where they can differ every year.

Fiona Phillips partner, Andrew Jackson Solicitors, York (a chartered accountant and tax adviser) When people get to a certain stage of growth, they sometimes don't know where to turn. They might already have a relationship with a lawyer, but they might not have one with an auditing firm. People will often ask us: 'Who do you recommend locally?' Our referrals are based on advisers who are technically good and great with clients.

Julian Wells director at Whitecap Consulting, Leeds (which focuses on commercial strategy) It's important to work with people you're comfortable with. Bear in mind considerations around capability, confidence and experience, and take time to get to know your adviser. Developments in fintech [financial technology] have made a big difference to the way that audit works, because so much of the data collation and reporting is done automatically. This is putting more focus on the true expertise a person or organisation can offer to the client.

Sector knowledge

Calvert Sector specialism can bring benefits, especially with more niche audits such as housebuilding or construction where a lot of judgment is required. It's important that your auditor works with a mix of business sizes because if they're dealing with ones that are just breaching the threshold limits and are at an early stage, they won't be able to help support you through growth and risk.

Phillips Though not a dealbreaker, it is always useful for an auditor to have had experience in your sector, because the audit can probably be more efficient. There are firms who have got a reputation for being very strong in a particular sector, which we usually mention when referring people to auditors.

Wells The decision may not be down to your sector but rather the dynamics and size of the business itself. If it has one limited company, for example, or a boot structure where they own parts of other businesses, or a subsidiary model, that will determine who you choose.

Ability to grow with you

Calvert Your auditor should be able to go with you on your growth journey. You may have just hit the audit threshold and need to start making some key decisions about how to take the business forward. An auditor can provide support around acquisitions or planning for an ultimate exit, and that may include implementing EMI [enterprise management incentive] schemes. We can also suggest better ways of retaining staff, especially when a company is in a growth phase and needs more board structure. For instance, you may need to bring in an FD [finance director] or non-executive if you're looking to exit in five years' time.

Phillips Size is everything when it comes to an auditor because you're looking for a firm that's going to support you in your next phase of growth, whether you grow naturally or expand by acquisition and plan on taking on more people.

Wells Consider the clients an auditor is managing at the moment and whether they have a similar journey to you. If you're a small firm today you might feel well matched to a small practice, but if you achieve all of your growth ambitions through the next five years, are they still going to be the right people to work with? If not, maybe you should consider someone who is more expensive today but better suited to supporting your growth. ■

Lisa Calvert

Fiona Phillips

Julian Wells

It is helpful to choose an auditing firm that is a member of a professional and industry body such as the Association of Chartered Certified Accountants (ACCA), Institute of Chartered Accountants in England and Wales (ICAEW) or the Association of International Accountants (AIA), as they set ethical standards for the profession.