IMPERO

The
misconceptions
about audits

- and how to avoid them

Intro-

Ensuring your documentation is ready for auditors to demonstrate your compliance is as challenging as it is essential.

Whether your company is beginning its audit process now or you're about to tackle the documentation and audit trail once again, there are lessons for every company in the common misconceptions about audits.

This article will help **myth bust some of the key misconceptions about audits.** It will then unpack some of the many ways your company or your team can improve your processes to not only make next year's audit smoother but also find efficiencies and boost your confidence in your processes along the way.

So, let's get started.

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1.

Passing an audit means your process is breach-proof

No matter the complexity of the audit, it's a relief when you get that tick of approval. The job is done.

But as good as that feels, for some smaller companies, or those attempting an audit or new processes for the first time, auditors warn there can be a sense of over-confidence or even complacency in the process.

Boosting confidence in your compliance activities is certainly a step in the right direction, but **over-confidence that can lead to complacency** ranks among KPMG's **10 Regulatory Challenges.**

This is especially true where new or more complex regulatory or legislative requirements change, as **KMPG UK warned** in the lead-up to new legislation taking effect in 2021.

Whilst this warning came on the back of a specific new legislative requirement, the broader challenge of combatting complacency cuts across many industries and is an ever-present threat to the confidence you can have in your compliance.

How you can avoid
this misconception

It might sound obvious, but the strength of an audit will only be as good as the information – and the documentation – provided to it. Having a system in place to track performance, documentation, key dates and any changes will not only help **create a culture of compliance** within your organization but help you focus on the tasks that are key in your business.

According to **Simon Lang, CFO at Greenland Ruby** – which specializes in mining the world's most sustainably-sourced rubies – documenting its mine-to-market traceability is essential to business.

"Impero makes sure that we have the right data at the right time to finalise our internal reporting and to also do our auditing.

"We can have confidence that everything is updated, and we are not using numbers that have not been validated.

"We now have time to analyse the data we have. That gives us time to come up with a solution on an issue. **So instead of just gathering data, we now use data."**

Read more about how Greenland Ruby **saves 100 hours** on its annual transfer pricing audit.

Read more
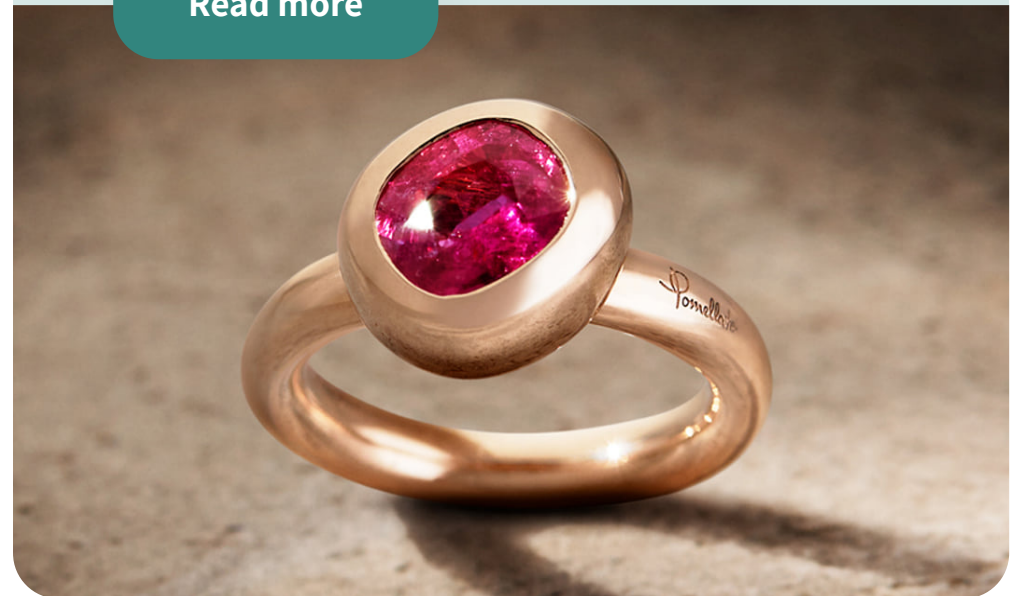
2.

It's a bad thing when you find areas for improvement

Auditing can obviously be a massive undertaking for businesses of all sizes, but there are key lessons that can be taken out of an audit process that can not only boost your organization's efficiency and adherence to the compliance goals that you set for yourself. Beyond this, using the lessons from it can also **act as a preventative measure against losing the trust** and reputation your business has built to date.

The process can often identify ways of **creating a culture of compliance**, as well as find better and more efficient ways of recording and documenting internal controls, change logs and key dates for future audits. Embracing technology can help improve your internal processes – or just make the process more efficient. This can help you establish and demonstrate strong internal processes, which is vital come audit time.

Making the process better next time will not only help boost the accuracy and confidence you have in your compliance, but help you save time and money in the long run.

How you can avoid this misconception

One of the most effective ways to enact the areas for improvement – either through creating a culture of compliance within your organization or through making the process more efficient – is to **make it simpler to adhere to your compliance goals.**

For instance, Danish **STARK Group** – with 400 branches across five countries – already had established processes and procedures. But most were manual and would often be in physical paper format, and different from country to country and entity to entity.

STARK wanted a tool that can help it make internal controls – and documentation – simpler and more efficient.

While keeping its established practices in mind, it was important to base new processes on user data to continuously keep controls relevant across all operating countries.

Today, **creating proper documentation and dependable reporting is not a problem** at STARK Group as it is automatically generated in Impero, demonstrating strong processes.

Read more about how STARK's switch to software, and how it's modernized **compliance processes.**

Read more

Here's what STARK's Head of Internal Controls and Enterprise Risk Management, Ragna Kr. Jóhannsdóttir, says about the switch to software for its documentation and audit trail:

"

With Impero's flexible control setup, it is possible to give the users different options when completing a control.

If necessary, I can ask for documentation, and I also like giving users the opportunity to explain why a control has not been performed or by the deadline.

I often find that there is a good reason, and it gives the control performer a sense of being heard so that we are not doing anything without a purpose.

Impero makes this possible with just a few clicks and with a quick and great overview.

3.

Audits are already digital enough

Across a range of industries, there's been an enormous shift to digital or software-based tasks that improve the quality and efficiency of activities, particularly for previously-manual tasks like **tracking documentation or audit trails.**

While this switch has enabled many organizations to turbocharge operations, research from KPMG finds that "unstructured data" – that which is not easily retrievable – is holding back the accuracy and efficiency of some audits.

"Structured data — found in spreadsheets and ledgers — can already be comprehensively analyzed using data and analytics, and automated capabilities. **But more than 80 per cent of data today is in unstructured formats** such as contracts, emails, PDFs and other documents."

And it's not just the impact on data and analytics which are driving the switch to software, with four in five executives believing it will improve efficiency even further.

A **[PwC survey on the future of audit](#)** found "more than 80% of businesses, and more than three-quarters of investors, believe that technology will improve the efficiency with which audits are performed."

How you can avoid this misconception

The limit of what can be digitized – and the business impact of better processes and real-time reporting – are almost limitless. Once you deliver a smooth rollout of software for tasks such as internal controls, expanding its use to additional areas and business can pay dividends in terms of accuracy and efficiency across your organization.

For many Impero customers, expanding the organization's use of software for a more complete audit trail and documentation helps **boost confidence that even more processes are working as they should.**

For **Volkswagen**, one of the world's largest car manufacturers, the choice to go digital for auditing its tax compliance was clear. As Lukas Spanke, Tax Advisor & Tax Compliance Manager at Volkswagen AG says: **"Compliance is a growing market.** It is mentioned more and more in trade journals. In Bavaria, for instance, there are now pilot programs

for tax audits. I noticed this when I worked in the tax authority – there were more and more staffing problems. It's the case everywhere – no matter whether it's companies or the tax authorities, there's a shortage of staff everywhere; there's a lack of people-power. **And there is an increasing tendency to "audit oneself" to a large extent. That's why Tax CMS is becoming more and more important."**
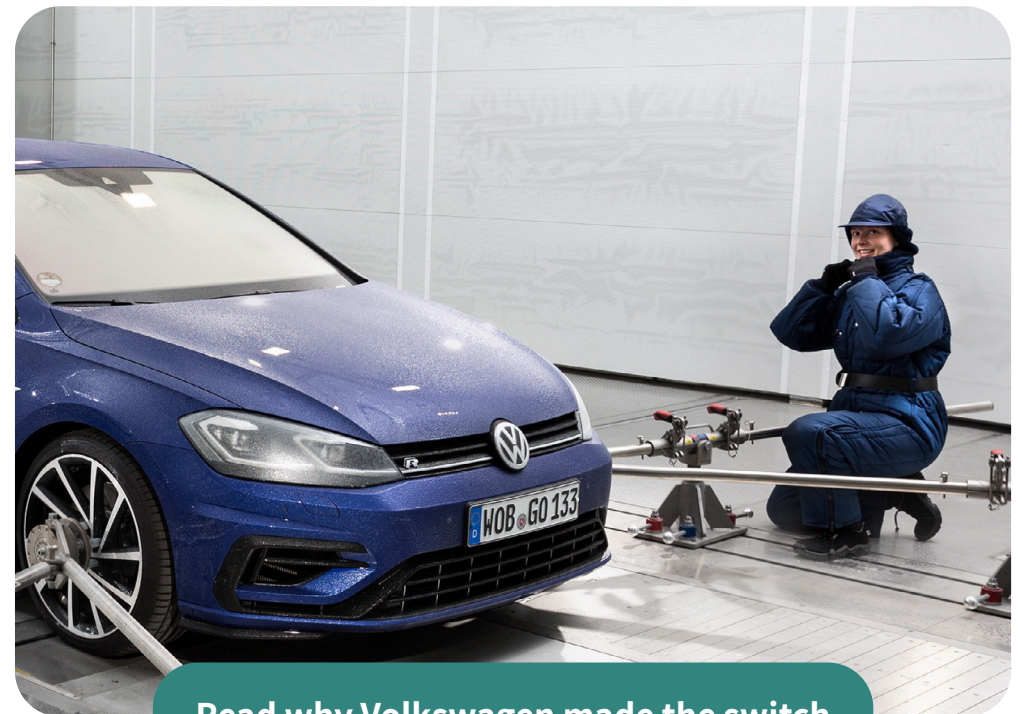
Read why Volkswagen made the switch

Conclusion

Ensuring your documentation is ready for auditors to demonstrate your compliance is as challenging as it is essential.

While it's always a great feeling of relief when you get an audit approved, one of the most common and key misconceptions is that this means the job is done.

Compliance is an around-the-clock obligation. Whether that's ensuring that the information you're providing is always the most up-to-date and accurate, or the continuing need for vigilance in your activities for next year, there are always tasks that need constant attention to help you and your organization hit your compliance goals.

But that's not where the challenges end.

For many organizations, there are challenges to collate the data and documentation you need –

especially if it is among the more than 80 per cent of data today is in unstructured formats such as contracts, emails, PDFs and other documents.

There is a better way.

That's how large, multi-national companies such as STARK and Arla have been able to not only save time and increase efficiency in their processes, it has – critically – **helped boost accuracy** so they can have confidence that the compliance processes are working as they should.

Does this sound like something that could benefit your organization? This piece is just one part of the picture.

[Book your personalized demo today](#) to see how you and your team can **have even greater confidence in your compliance, audit trail and documentation.**

IMPERO

Compliance.
Simplified.

Book a demo