
Maximising audit value for international subsidiaries in Australia

By Jordan Muddle / April 13, 2022

For large companies operating in Australia, audits are viewed as a necessary mechanism of regulatory compliance. However, by narrowly viewing the external audit process, are international subsidiaries missing out on the potential value generation that external audits can bring to their business?

In Australia, all public companies including listed companies and large proprietary companies are generally required to prepare and lodge an audited set of financial statements with the Australian Securities and Investment Commission (ASIC). The only exception to this is where large proprietary companies are granted audit relief. A 'large' proprietary company is one which satisfies at least two of the following criteria for reporting periods commencing on or after 1 July 2019:

- + Consolidated revenue for the financial year of \$50 million or more including revenue derived from entities that the company controls
 - + Consolidated gross assets at year-end of \$25 million or more including the assets of entities that the company controls
 - + Employees of 100 or more including employees of any entity that the company controls
- However, the benefits of an external audit transcend meeting regulatory compliance. Here are just some of the exciting ways in which an external audit can improve your business:

1. Improvements to the system of internal controls

An external audit is not limited to simply highlighting deficiencies in the processes. Through recommendations for improving control weaknesses that are presented to management and

those charged with governance at the conclusion of the engagement, the external audit process provides a solid platform to deliver stronger financial controls, reducing the potential likelihood of costly fraud or error.

2. Reliable financial data

As a transnational organisation, the reliability and accuracy of consolidated financial data is pivotal to assist entity stakeholders, particularly investors, with making informed decisions. An external audit at the subsidiary level is thus essential in ensuring that their financial data is accurate, complete and importantly in compliance with the relevant regulatory framework.

3. A helping hand with business growth and expansion

With business growth and development comes increasing complexity in the entity's operations, accounting processes and systems. It is here that the benefits of an external audit by an independent practitioner come to the fore, providing qualified advice to mitigate unexpected hurdles and challenges that may come with rapid expansion.

4. An abundance of industry knowledge

Auditors must possess a sound and thorough understanding of a range of diverse industries. These valuable insights into the dynamics of a number of industries may help clients establish best practices consistent with their industry as well as potentially assist them with seizing on exciting opportunities in new and emerging markets.

5. Tax compliance

A key element of the external audit process is understanding the taxation affairs of the entity and identifying major tax risks that should be brought to the attention of management and those charged with governance. Highlighting these in the early stages could prevent potential costly penalties and interest down the track.

6. Reducing waste and inefficiency

By gaining a deep understanding of crucial accounting processes and systems within an organisation, auditors can provide vital recommendations into how internal procedures and processes can be improved. Helping to highlight and how to mitigate previously unexplored structural and operational inefficiencies could provide a long-term boost to productivity and cost reduction.

Finding the right auditor to deliver tangible business benefits is critical to continued success. If you would like to find out more about how an audit can add value to your business, please contact your local Accru advisor.
