NEED OF ANNUAL AUDIT

AUDIT:

If you need to prove to another party that your financial statements are accurate, an audit is the way to go.

ANNUAL AUDIT:

An annual review of the financial records of an organization, such as a business, a non-profit group, or a government agency. The audit may check the accuracy of records, compliance with accounting methods, and the soundness of financial practices, including internal controls.

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The [American Institute of CPAs](http://www.aicpa.org/InterestAreas/PrivateCompaniesPracticeSection/QualityServicesDelivery/KeepingUp/DownloadableDocuments/Brochure NonCustomizeable-Difference between Comp ReviewAudit.pdf) [PDF] believes that compilations are best suited for very simple accounting situations. For example, a compilation may be appropriate if your business uses the cash method of accounting and needs to translate that to the [accrual method](http://quickbooks.intuit.com/r/accounting-money/understanding-the-basics-of-accrual-accounting). If your company is small and your transactions are straightforward, a lender may accept this in lieu of a financial review for a loan application.

The primary benefit of an annual audit is the confidence it gives you and your members that the PTO's financial house is in order. Basically, the audit verifies the numbers, ensures accuracy, and assesses procedures. A comprehensive audit also identifies internal controls that should be implemented to improve the integrity of your financial systems. Furthermore, the audit gives closure to the treasurer and sets a starting point for the new year's activity. An audit is also the primary tool for uncovering financial mismanagement. Hopefully you won't need to conduct an audit for this reason, but an annual audit can uncover problems before they become significantly more serious. Your PTO might also choose to include in your audit a review of how closely your group's income and expenditures matched the year's budget. This type of review can be a strong planning tool.