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## Financial year end: Do you have the required evidence?

The financial year-end is upon us once again, which means the time has come for company audits to take place.

This time of year highlights the importance of proper document retention and storage with successful and unqualified audits being reliant on the company concerned being able to supply the supporting proof of their activities. It is also a time where it becomes evident whether companies have listened to their auditors and stored and retained supporting documentation in accordance with their advice and the applicable legislation.

“When audits are undertaken only original records are acceptable in support of income and expenditure,” says Peter McLaren-Kennedy, sales and marketing director at Metrofile. “This means that companies that cannot provide satisfactory proof will find themselves under closer scrutiny and in many cases, a qualified audit report. Whilst the ECT act and others covering the retention of records suggest that scanned or Microfiched copies will suffice, the reality is that this is not necessarily the case. We therefore strongly recommend that companies retain their original record until such a time as the audit is complete and that guidance is taken either from your lawyers or your auditors before resorting to scanning and the destruction of accounting records.”

Conversion of hardcopy records to an analogue or digital image is also not that simple. According to audit and accountant firm Deloitte, the validity of microfiche for audit purposes depends not only on the audit objectives and the financial statement assertions, but also on a number of other factors that arise during the conversion from paper to microfiche or other formats.

These include the relative risks of material errors or irregularities arising in the capture process, the comparison of electronic documents with source documents on a test basis to ensure accuracy, readability and lack of duplicate records, and the proper cancellation of source documents after conversion to microfiche to ensure documents are not converted twice. Registers need to be kept to record and control documents converted to microfiche and then destroyed, and the indexing and retrieval controls need to ensure quick and easy reference to any document on microfiche.

When it comes to the destruction of documents, Deloitte recommends that all paperwork not needed from a commercial or legal perspective be destroyed, along with duplicates of reports, minutes and other documents where duplicates are no longer needed. Confidential documents need special attention when being destroyed in order to meet with compliance regulations and the ECT Act.

“The world of records retention and storage is complicated with a wide variety of regulations and laws covering the issue. Apart from audit requirements, companies are also legally bound to retain records for certain periods of time, to destroy documents in a safe and responsible manner and to ensure that only the right types of records are destroyed and retained. Furthermore companies need to consider the needs of the business in making such decisions. For example the

law may allow you to destroy an invoice after five years however the product may have a longer life resulting in the need to keep the original sale documents for a longer period," McLaren-Kennedy adds.

"Many organisations simply do not have the time or manpower to deal with these issues, and turn to an outsourced records management provider. Metrofile are the African leaders in records management and can handle the entire process, from collection, conversion into microfiche or digital format, storage of necessary documents and confidential destruction and recycling of paperwork that requires it," he concludes.

With audits just around the corner, it is time to get your ducks and records in a row, to ensure your organisation does not fall prey to fines, penalties and other financial problems that accompany qualified audit reports.

ENDS

#### **Note to Editors**

#### **About Metrofile**

Established in 1983, Metrofile is the market leader in Africa for information and records management (on and off-site). The only company to provide full end-to-end solutions, Metrofile services customers across all sectors of the economy.

Metrofile's extensive range of services enables companies and organisations to use, store, and recycle their records and information quickly, intelligently and cost effectively – freeing up valuable physical and human resources. Our services include records management, image processing, paper management and extensive range of information solutions including the supply and maintenance of scanning and document handling equipment, software development, online storage and hosting, consultancy and training.

Metrofile Holdings is quoted in "Support Services – Business Support Services" Sector of the JSE Limited (JSE).

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