

The Pros and Cons of Auditing

By Audit Type

As a complement to their book *Agency Audits: How to Achieve Success*, Joanne Davis and Jane Twyon have created this table outlining the pros and cons of each type of audit covered in the book.

Types of Audits	Pros	Cons	Activation
1. Contract Compliance	Ensures agency is properly paying bills for which the client was charged.	Time involved.	Timing varies by marketer requirements: annual, audits every two to four years, or exit audits are all common.
	Checks for agency cash flow (float).	Costs.	Sample audits are often performed to keep costs down.
	Checks payment timing for discrepant invoices.	Does not pay out 27% of the time (Source: ANA).	For media, some auditors suggest starting with a full media audit to establish a baseline. Follow-up audits can be scaled down.
	Checks to make sure contract agreements have been met.	Agency financial groups are often rotated.	
	Fully pays out 38% of the time (Source: ANA).		
	Evaluates financial staffing and training for your compliance.		

Types of Audits	Pros	Cons	Activation
2. Fees, Compensation, and Out-of-Pocket Charges	Ensures that estimated time and hourly rate/FTE rate were spent and charged correctly.	Time involved.	Most agency contracts allow for this type of audit annually.
	For commission audits, this checks the rates and reconciles media spend with media type.	Cost.	It is necessary to perform this type of audit if the marketer suspects inaccuracies or talent has left the agency and has not been replaced.
	For production audits, pass-through is checked for correct back-up.		This audit is suggested if the agency is requesting a fee adjustment.
	For travel/entertainment and out-of-pocket costs, this audit checks for contract compliance and documentation of items.		
3. Media Compliance and Verification	Impartial third party media post-evaluation.	Media agency buys are guaranteed so posts are less important.	Often activated annually, but should be an ongoing process.
	Evaluates the exactness of the process from media buy to activation.	Media agency already does this work.	A best practice is to not let the agency be the only one tracking media compliance.
	Demonstrates how the media plan's directives impact the final buy and activation.	An organization's media buying direction can change during the negotiation process.	Can be modified to a sample audit to fit a budget.
	Ensures that all work is in compliance with media contract and buy agreements.	Marketer may have made changes to original media plan.	



Types of Audits	Pros	Cons	Activation
4. Media Quality — Evaluation of Buy Value	Important today to go beyond general ratings and schedule and to evaluate the quality of the buy, including pod positioning, competitive separation, program composition, improved targeting, etc.	You can't fully control these areas and, therefore, should not expect that the media agency will deliver them perfectly.	Ongoing.
			Do a full audit for your first review of this material.
			Follow-up the first audit with a sample audit for cost control.
5. Media Benchmarking	Important to see comparative performance for competitors and industry.	There may not be sufficient data for an apples-to-apples comparison.	Annually.
	Can help marketers to better understand their agency's strengths and the total value delivered by their agency.	The auditor's cost pool may not be relevant to you.	Do this prior to the new year's upfront schedule so that any learnings can be applied to your next negotiation.
		Requires a healthy inspection of the auditor's cost benchmarking approach to ensure fair and valuable comparison.	This type of audit should be performed when the agency asks for a fee adjustment.



Types of Audits	Pros	Cons	Activation
6. Production	Makes sure that all work is in contract compliance.	Everything may have already been approved for payment by the marketing director via a purchase order system.	Annually.
	Allows for a complete financial evaluation—from bids through the end of the job.		Perform this type of audit before starting a new campaign.
	Allows for an assessment of the bid process.		
	Confirms that all talent and digital contracts are up to the required legal and company standards.		

Further Your Learning

To return to *Agency Audits: How to Achieve Success* by Joanne Davis and Jane Tryon, please click [here](#). 

To return to the ANA Agency Audits Toolkit, please visit www.ana.net/audittoolkit. 

For more information on this topic, visit www.ana.net/mkc. 