

Night Audit

INTRODUCTION

Auditing is a process of conducting financial inspection of the organization, Where the night auditor reviews all financial activities of the hotel that has taken place in one day.

For a hotel business, the finance management starts auditing at the front office. Accurate posting of transactions on the guest folios start at the front office, which is further carried to the back-office accounting department. The guest accounts are counter-checked on a daily basis during auditing.

The auditing process for the day is generally conducted at the end of the day during the following night, hence the name 'Night Audit'. It can be performed by the conventional method of using papers, receipts, vouchers, coupons, and files. But performing audit using modern PMS systems is easy, fast, and efficient.

DUTIES OF AUDITOR

The night auditor performs the following steps during night audit activity –

- Posting accommodation and tax charge
- Accumulating guest service charges and payments
- Settling financial activities of various departments
- Settling the account receivables
- Running the trial balance for the day
- Preparing the night audit report

Apart from the basic audit activities listed above, the night auditor carries out the following responsibilities –

- Taking over from the last shift.
- Checking-in or checking-out the guests after 11:00 pm at night.
- Registering the guests.
- Allocating accommodations to the newly checked-in guests.
- Settling transactions in the newly created guest accounts.
- Verifying guest folios.
- Verifying room status report.
- Balancing all paperwork with the accounts in the PMS.
- Remaining liable for security of the premises.
- Handling guest accommodation keys.
- Taking backup of the PMS generated reports.
- Preparing lists of expected guest arrivals for the next day.
- Closing financial activities for a day.
- Starting financial activities for the next day.
- Receiving and recording bank deposits.

OBJECTIVES OF AUDIT

- The objective of night audit is to evaluate the hotel's financial activities.
- Night audit not only reviews guest accounts by checking credits and debits but also tracks the credit limits of the guests and tallies projected and actual sales from various departments.
- Night audit reviews daily cash flow into and out of the hotel's account.
- Night audit has a large significance in hotel business operations.
- The management body refers night audit report to plan future goals and control the expenses.
- The managers can react immediately on the acquired information.

For the night auditor, some of the steps in the night audit process are –

Total outstanding charge posting

Hotel night auditor needs to ensure that all guest transaction happened in a day are correctly captured, charged and posted to guest accounts.

Reconcile room status

The night auditor must evaluate and analyze a particular day's occupancy report and the housekeeping room status report to find out the correct occupancy status of a hotel.

Verify room rates

It is mandatory to compare guest registration records with room reports to ensure rack rate and actual rates are the same.

Verify no-shows of the day

By verifying no-shows of the day in the front office console, the night auditor ensures that the no-show bills are duly charged, and the rooms are marked as 'available' for future dates.

Balance all departmental accounts

This process of balancing all revenue center accounts is called 'Trial Balance' that helps in accurately posting the day's room and tax charges.

The night audit process can be done manually – by pen and paper, or by using a hotel property management system (Hotel PMS). While doing the same by pen and paper is a time-consuming and tedious process that leads to multiple errors, a Hotel PMS efficiently automates the whole process. Take Hotelogix cloud-based Hotel PMS for example that helps you with an efficient night audit so that you can establish 100% accuracy of the process while cutting down heavily on manual intervention that may lead to errors.

VARIOUS TYPES OF NIGHT AUDIT REPORTS

In current era, the PMS helps night auditors to a great extent in auditing and generating accurate reports. below is a list of reports –

- **Night Audit Accommodation Report**– It gives a snapshot of the days when accommodations are occupied, the days when the accommodations are available, check-ins, check-outs, no-shows, and cancellations. This report can show further details for any of the items listed above.
- **Night Audit Counter Report**– It gives details on cash and credit card receipts and withdrawals.
- **Night Audit Revenue Report**– It delivers information on accommodation revenue, cancellation and no show revenue, and other POS revenue. Revenue generated through various agencies and bodies such as travel agents, corporate organizations, internet booking, etc., is also listed in this report.
- **Night Audit Tax Report**– Contains all the tax information on reservation revenue and other POS revenues such as VAT, luxury tax, and service tax.
- **Cashier's report**– It is the detailed list of cashier activity of cash influx and out flux, credit cards, and PMS totals. Cashier's report is very important part of the financial control system of a hotel. The front office manager reviews the night audit and looks for any divergences between the actual amount received and the PMS total.
- **Manager's Report**– It is a statistical list of previous day's occupancy. It includes details about available accommodations, occupied accommodations, sold and vacated accommodations, rack-rate, number of guests in the hotel, number of no-shows, and so on.
- **General Manager's Report**– Each department in the hotel is required to send daily sales report to the front office. Using their information, a departmental total report is generated for the general manager's assessment. The General Manager determines the profit-generating departments and evaluates the success of sales and marketing.
- **High Balance Report**– This is a detailed report about the guests who have exceeded the credit limit set by the hotel management.
- **Ledger Balance Summary Report**– It displays the opening and closing balances for the Advance Deposit Ledger, Guest Ledger, and City Ledger.
- **Room Rate Audit Report**– It lists all rates that are applied to each guest and the difference from the rack rate with the predetermined rack code.

HOW TO BALANCE NIGHT REPORTS

Here are some formulae used to balance night audit –

Formula for Balancing Bank Deposit

The formula for balancing bank deposit is –

Total Bank Deposits

- Total Cash Sales
- Credit card received A/R
- Cash received A/R

= 0

Formula for Balancing Guest Ledger

The formula for balancing guest ledger is –

Total Revenue

- Paid-outs and non-collect sales

= Daily revenue

- Total cash income
- Today's outstanding A/R income

= 0

Formula for Balancing City Ledger

The formula for balancing city ledger is –

Yesterday's outstanding A/R

- + Today's outstanding A/R income

= Total outstanding A/R

- Credit card received and applied to A/R
- Cash received and applied to A/R

= balance of A/R