

Audit Process – Past, Present and Future

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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Create Opportunities

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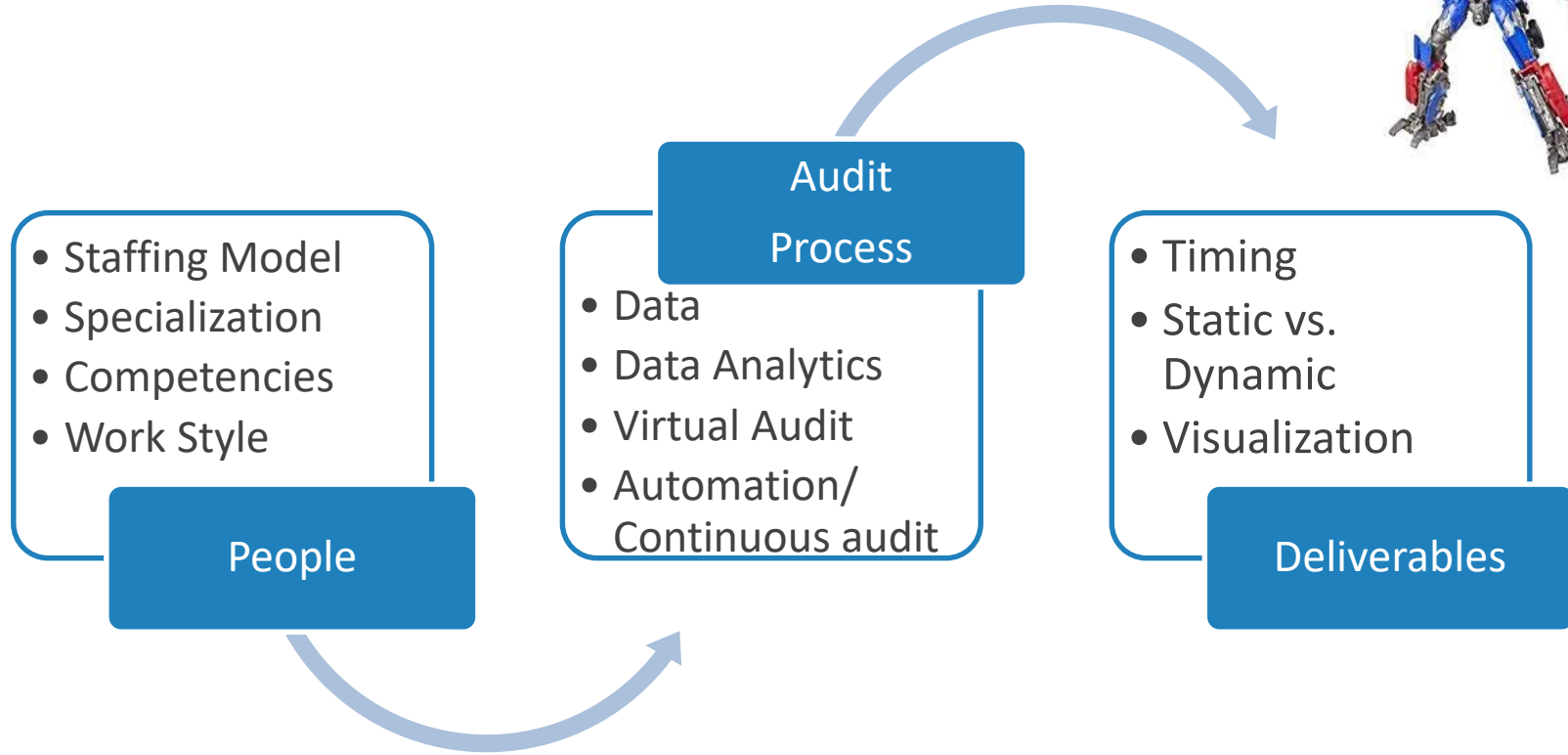


Learning Objectives

- Explain the major disruptors to financial and compliance audits
- Discuss the Rate of Change
- Discuss the industry trends that are driving change
- Understand how to better prepare for audit



Did someone say Transformation?



What's causing the Change?



Changing Environment

- Cashless Society
 - ATM's 1980s
 - Internet
 - On-line banking
 - Credit Card proliferation
 - “Cash Free” establishments
- Computerized Systems
 - Mainframe
 - Client Server
 - Cloud Based
- IT Auditors – 1970s
 - Mainframe
 - Networks
- Paperless Audits 1990s



Changing Environment *(continued)*

- Report Preparation
 - Manual
 - ◊ Offset Printing
 - ◊ Word Processing
 - Electronic
 - ◊ Excel/Word Linkage
 - ◊ 3 dimensional worksheets
 - ◊ Linked general ledger throughput
- Big Data
 - Electronic Data Analysis
 - Electronic Data Transfer
- Remote Auditing
 - COVID-19 Acceleration of trend



Old Style Audit

- Team of Auditors
 - Highly geographic dependent
 - Hard to maximize use
- Planning & Coordination
 - Specific timing of auditor presence
 - Meeting more of an ad hoc basis
 - ◇ “Pop in” for a quick question
 - ◇ Primarily face to face interaction



Old Style Audit *(continued)*

- Logistics
 - Space – conference room, broom closet, etc.
 - Communications – phone/internet
 - Internal personnel network/protocols
- Documentation
 - Primarily paper form
- Time Allocation
 - Travel time



New Audit Model

- Remote/Hybrid
 - Entirely offsite
 - Some onsite time
 - ◇ Limited time
 - ◇ Limited personnel
- Point in time vs. Continuous
 - Focus primarily on year end balances
 - Process throughout the year
- Team of Auditors
 - Maximize talents

New Audit Model *(continued)*

- Logistics
 - Minimize on-site time and space usage
 - Less disruptive
 - Technology driven
 - ◇ In-line communication
 - ◇ Electronic data exchange usage
 - ◇ Teleconferencing
 - ◇ Screen Sharing
 - ◇ System access

New Audit Model *(continued)*

- Planning and Coordination
 - Still requires specific timeframe
 - Tighter scheduling for meeting and questions
 - Availability
- Challenges/opportunities
 - “out-of-sight, out-of-mind”
 - System/records security
 - Loss of camaraderie/contact
 - System/records security



Effect on Audit Process

- Still broken into 3 distinct parts
 - Preliminary
 - Fieldwork
 - Reporting

Preliminary

- Easily transformed to remote
- Planning
- Understanding controls and control environment
 - Walkthroughs
 - Control testing
- Fraud discussions
- Risk assessments
- Perm file update

Fieldwork

- Much can be done remotely
 - May need to be onsite for certain tests
 - Reduce the number of personnel in the field
 - Use of a “designated” field auditor
 - ◇ Used to expedite requests and gather documentation
- Tests of transactions
 - Confirmations
 - ◇ Bank confirms
 - ◇ Email confirms
 - Substantive testing
- Analytical review

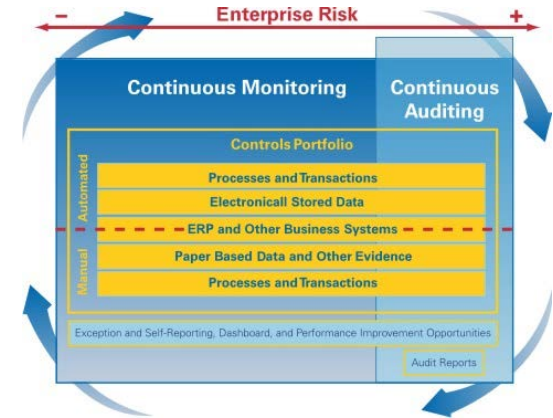


Reporting

- All can be done remotely
- Not much of a change

Continual Evolution of Audit

- Continuous/ Real-time Audit
 - Continuous Audit (Red Book) published by the CICA and AICPA in 1999
 - Risk based auditing, emergence of big data, and analytics have changed the landscape
 - Robotic Process automation, embedded Audit Modules





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Questions?

