Technology and the Future of Audits

The emergence of new audit technology has had an enormous impact on the audit profession. Machine-learning based tools can rapidly analyse hundreds of documents and identify key areas of interest in a fraction of the time it took a decade ago. What would have required days of review can now happen in near real time. And this creates real opportunity for the auditor to add value through deeper insights and analysis.

For most auditing and accounting firms, failure to adopt technology aimed at increasing the efficiency of production will inevitably lead at best to reduced margins of profit. At worst, an overall reduction in the value of service will force clients to look elsewhere for auditing services. And progressive clients that want more than just assurance will go elsewhere.

At the National Audits Group, we are seeing some clear trends that have influenced our approach to working with accounting firms and their clients.

We work with firms that operate in a paperless work environment. This means that client data is collected and processed in real time. There's a clear electronic trail to verify source data. Of course, this inevitably means that clients also use accounting software that allows for real time data processing and review.

We use checklists and establish clear timelines to ensure that clients know why and when information is required. We find that a proactive line of communication is essential for client engagement and efficiency of workflow and this occurs through the use of technology and soft skills supported by formal in-house procedures.

We request that clients use a client portal for the sharing of information. This is necessary not only from a security perspective, but also to ensure that required electronic documents and communications are in the same location and easily matched for date and time of delivery rather than via email or other means.

We increasingly work with clients in areas beyond assurance. Our national network of professionals enables us to provide a range of specialist services including internal controls reviews, IT systems assessment, regulatory compliance, information systems reviews, fraud examination and corporate governance services. Technology allows us to integrate data and systems to provide a more holistic analysis of the audit client's performance and risks.

In coming years, we will see the pace of change associated with technology accelerate within the audit industry. For example, block chain technology will create a seamless integration between source data and financial reports, ensuring that data is accurate and reliable. Data analytics software is already allowing exception based review of financial documents, even to the extent that computerised risk ratings can automatically identify key issues with a high degree of certainty.

So, what can progressive accounting and audit firms do now to improve both the efficiency and value of audits with technology?

1. **Put in place a technology plan for your firm**. This should include up to date solutions for practice management and accounting, document management and storage, audit software, production of financial statements, corporate secretarial services and off-site access to information.

2. **Explore all the cloud-based software choices available**. The table below outlines the choices available for audit firms based on our research and internal audits of over 20 different accounting firms. The blue column outlines the software we have chosen to use. All of these programs are accessible from a mobile phone app or website, however we may change as new technology comes to market. It's an ongoing process of review and renewal for us.

Practice Management	CCH ifirm	Handisoft	APS	MYOB
Document Management	CCH ifirm	Handisoft	APS	MYOB
Data Storage	Dropbox	Box	Local Server	Google
SMSF Audits	Evolv Super Audits	My Workpapers	Caseware SMSF Audits	CloudOffis
Remote Desktop	Citrix	Team Viewer	Log me In	VPN
Expense Management	Receipt Bank	Concur	Expensify	Zoho Expense
Accounting Systems	XERO	MYOB	Quickbooks	Sage
Audit Software	Caseware	My Workpapers	CCH Engagement	Excel/Word
Financial Statements	Caseware	MYOB	IFRS System	XERO
Data Analytics	Caseware Cloud	Active Data	CCH Team Mate	Excel
Client Portal	Caseware Cloud	CCH	Sharefile	Nimbus
Fixed Assets	Asset Tiger	MYOB	XERO	Asset Guru
Corporate Secretarial	Nowinfinity	BGL CAS	MYOB	CCH
Video Conferencing	Zoom	Skype	Goto Meeting	Google

Source: 2018 CAANZ Audit Conference. Presentation by Steven Watson MD, National Audits Group

3. Make some immediate decisions in relation to core service platforms relating to audit services.

These decisions should include the following actions:

- Move your technology platforms online and encourage clients to do the same;
- Establish a robust client portal for engaging with clients and specialist service providers;
- Ensure that systems are integrated wherever possible, so that there's less opportunity for data errors in processing and reporting;
- Explain to clients what you need, why and when you need it. Communicate with them proactively through formal checklists and procedures.

There is no doubt the future of audit lies with data analytics. These tools are enabling auditors to better identify financial reporting, fraud and operational business risks. Key challenges for both small and large firms are the significant up-front cost of implementing new technology solutions and the need to provide staff with training in new technical and communication skills. Whilst 'real-time' auditing is still some way away, firms that wish to grow revenue from audit services cannot afford to wait. Early adopters of technology are fast turning into mainstream users.

Do you have the right technology plan for your practice?