Opportunities

Center for Audit Quality (CAQ): Observations on the evolving role of the auditor (October 2011)

- Investors act on current information, including information provided throughout the year
- Standard setters need to consider whether it is reasonably possible to provide assurance on particular information.
Auditing Challenges

- Expectation gap is widening - will narrow through audit enhancements, not lowering of public’s expectations
- Regulators driving the audit profession — Inspections are retrospective and compliance oriented
- Technology is underutilized – many audit procedures unchanged in decades—barriers to meaningful advances:
  - Data access
  - Professional standards
  - Immature Tools
  - Required innovation & investment
Barriers

- Data acquisition is a challenge
  - No common data standards
  - Not a repeatable process
  - Finance & IT live in different worlds
Environmental realities

- **Data acquisition is a challenge**

- **Audit standards evolve slowly**
  
  • Regulatory driven, compliance orientation is not conducive to productive change
  
  • Meaningful change will require a new way of thinking
    
    - 100% of a population vs. sampling
    
    - Historical manual confirmations vs. real-time electronic evidence
Environmental realities

- Data acquisition is a challenge
- Audit standards evolve slowly
Environmental realities

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- Audit standards evolve slowly
- Tools are immature
Environmental realities

- Data acquisition is a challenge
- Audit standards evolve slowly
- Tools are immature
  - Technology viewed as unproven
  - Not sufficiently grounded in assertions
  - Not sensitive to non routine and estimation accounts
  - Fear of litigation ("smoking gun" in work papers)
Environmental realities

- Data acquisition is a challenge
- Audit standards evolve slowly
- Tools are immature
- Meaningful change requires
Environmental realities

- Data acquisition is a challenge
- Audit standards evolve slowly
- Tools are immature
- Meaningful change requires
  - An investment
  - Behavior change
Moving forward

- Data access & standards
- Technology-enabled procedures linked to GAAS
- Progress toward continuous audits
Audit data/information standards

- **Develop Audit Data/Information Standards**
  - Common framework
    - Data files, fields & technical specifications
    - Meta data (i.e., business rules)
  - Scalable:
    - Start with general ledger
    - Bring on industry sub ledger systems and non-financial data over time (done in parallel with development of APP Library)
    - Include external data (e.g., move from periodic bank confirmations to continuous data streaming)

- **Encourage adoption**
Auditor access to data

**Audit data store**
- Populated with data meeting standard data requirements
- Internal data updated nightly so it does not have a significant effect on operating system performance
- Available to auditor on demand
- Subject to internal controls (e.g., reconciliation) that are verified during the audit
- Data still behind company’s firewall

**Audit interchange in cloud**
- Secure interchange that is regularly updated
- Available to auditor on-demand
Audit applications linked to GAAS

- Extensive library of Audit Data Analysis APPs

- Non-proprietary
  - Open access to post submissions
  - Freely downloadable, with standard disclaimers

- Proprietary
  - Subject to QA
Description
Transaction Volume evaluates the total number of transactions passing through any given module and compares it against prior weeks. Date range and SAP module can be customized.

Assertions
Timing, Classification

Frequently used with
Benford Analysis

Reviews
Useful and easy to use. The developer has put a lot... Does what it says. I’ve used this app for the past 30...

Transaction Volume
Version: 1.2
Author: Ryan Teeter, Auditco, llc.
Platform: ACL 9.1, SAP
Timing: Weekly
Method: Automatic
Location: Remote
Reengineered Audit Process

AICPA:
Research & Development AND Project Leadership
* Data Access
* Audit APPs

CPA:
* Data analysis
* APPs linked to GAAS
* Concurrent procedures (e.g., monitoring controls, confirmations)

Client:
Timely access (Audit data store)
Validation (built-in routines)
Standardization (data, metadata)

Others:
ERP vendors – adopt data standards
BI & XBRL vendors – user friendly tools
Cloud providers – secure (public & private) space
Critical Components for Framework Success

- Collaborate with others on exploring the feasibility of audit data/information standards
- Work with BI & other IT vendors & build infrastructure to facilitate development of audit apps
- Encourage changes to professional standards
- Work on longer-term R&D projects
  - Advanced analytics
  - Continuous assurance & control monitoring