



# ***Audit of the Future – Assurance Services Executive Committee***

November 2011

# 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

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# 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)



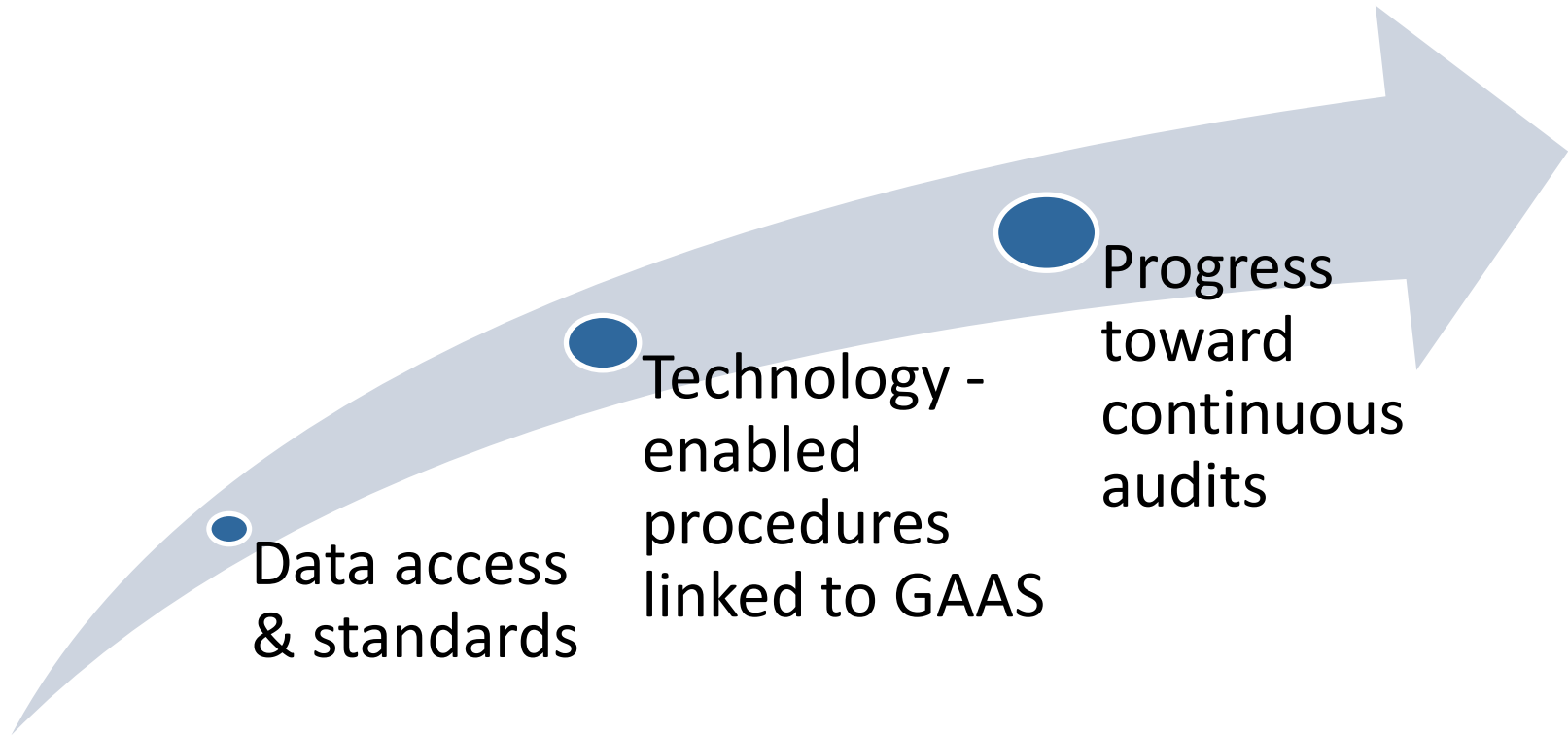
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# Environmental realities

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

# Moving forward



# 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

# The audit app marketplace

Apps Overview

Developing Apps

App Community

The Near Future

## 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

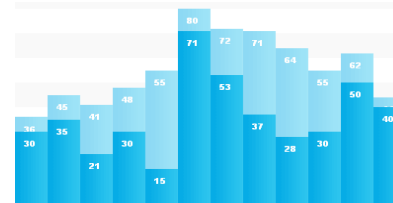
[Benford Analysis](#)

## 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...



Download Now

## 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

## Others:

ERP vendors – adopt data standards

BI & XBRL vendors –user friendly tools

Cloud providers – secure (public & private) space

## 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)



# 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

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- Advanced analytics
  - Continuous assurance & control monitoring