

# Technology, quality processes and the auditor's role

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11 August, 2022



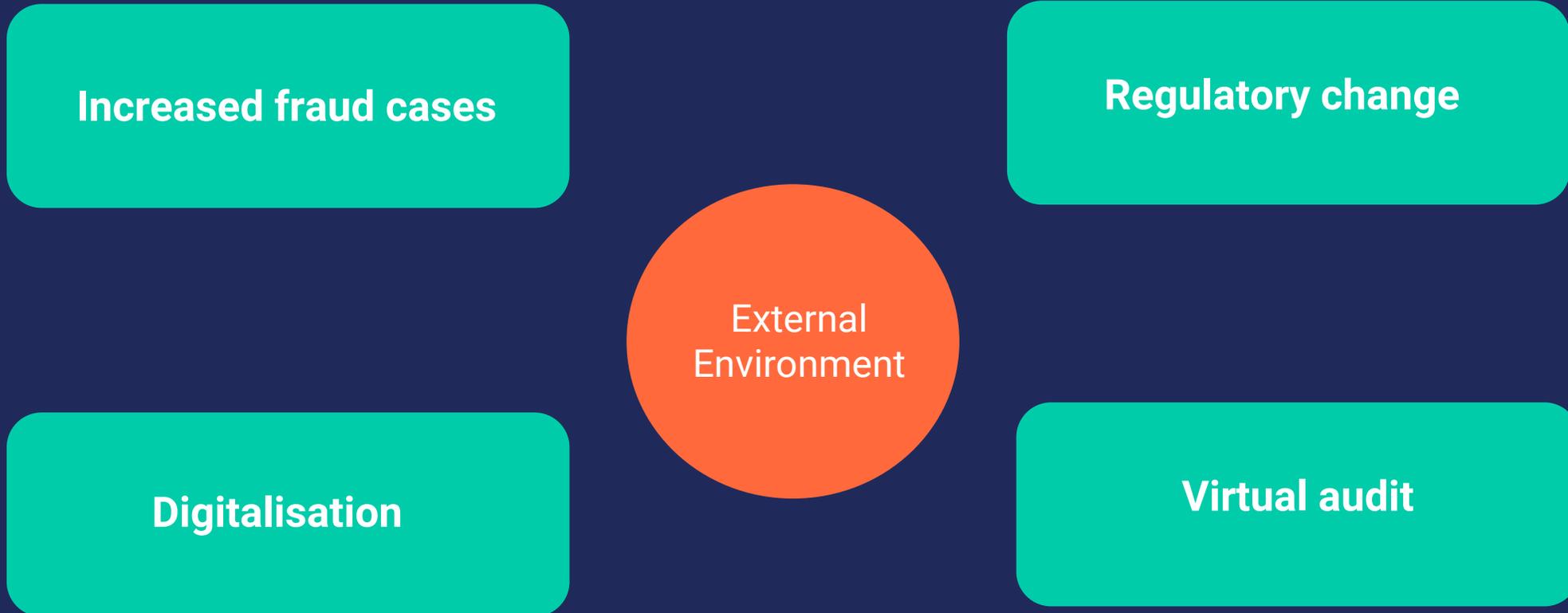
**Tony Ventura**

**Regional Manager - Confirmation, part of Thomson Reuters**

# In today's session

- The audit industry in transition
- Key benefits of digitisation and overcoming the drawbacks of traditional processes
- Industry benchmarks and standards
- The importance of taking control – the auditor's role
- The future of digital – for the audit industry

# An industry in transition – External environment



# Increase in fraud cases



The German payments company revealed auditors could not trace **€1.9 billion** supposedly held in escrow accounts at two Asian banks.



NMC healthcare group admitted net debt was twice what it had disclosed, after it found almost **\$3 billion** of borrowings hidden from its board that had been used for unknown purposes.



luckin coffee

False sales of 300 million are being investigated on the part of its former COO. Stocks plummeted 83% after it was revealed more than **\$300 million** lost in fraudulent revenue.

PÂTISSERIE  
VALERIE

Est. 1926

Patisserie Valerie fell into administration after a black hole in its accounts worth **£94 million** was unearthed amid accusations of fraudulent activity that hid its existence.

# Regulatory change

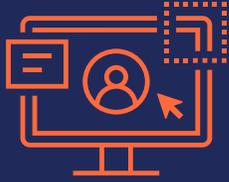
ISQM1: Effective from 15 December 2022

Your firm is solely responsible for the design, implementation and operation of its own **System of Quality Management (SoQM)**.

ISQM 1 specifically requires firms to establish **quality objectives** in relation to resources provided by service providers.

Your firm may obtain information about the service provider and the resource they provide, including consideration of the related **quality objective** and **quality risks**.

# Digitalisation



**99% of companies** are confident that advanced technologies can enhance an external audit



**79% of organisations** say advanced technologies are a "must-have" within the next five years.



**Reduced risk and improved controls** are cited as the key benefits of digitally transformed external audits.

# Virtual audit



**62% of auditors** said COVID-19 & auditing in a remote environment has increased integrated audit efforts



**87% of public company respondents** expect there to be an increase in virtual meetings with external auditors



**83% of public company respondents** anticipate a reduction in time spent on site because of the pandemic



**52% of firms** reported that they are actively approaching clients about permanently moving to remote audits



**67% of firms** team members are developing new collaboration methodologies to replace the onsite, group experience

## Remote Audits



# Key benefits of digitisation help overcome the drawbacks of traditional processes

# Why technology is imperative

Robust digital ecosystem deployed

Optimises  
&  
automates  
the audit  
function

Saves time  
& money

Secure &  
accessible  
anywhere,  
anytime

Mitigates  
fraud risk

# The role of audit technology

## Client collaboration

Relationships are more interactive, and the data flow between the organization and auditors becomes more continuous

## Audit procedure

Audit clients increasingly shift to paperless systems which allows auditor to complete most procedures online

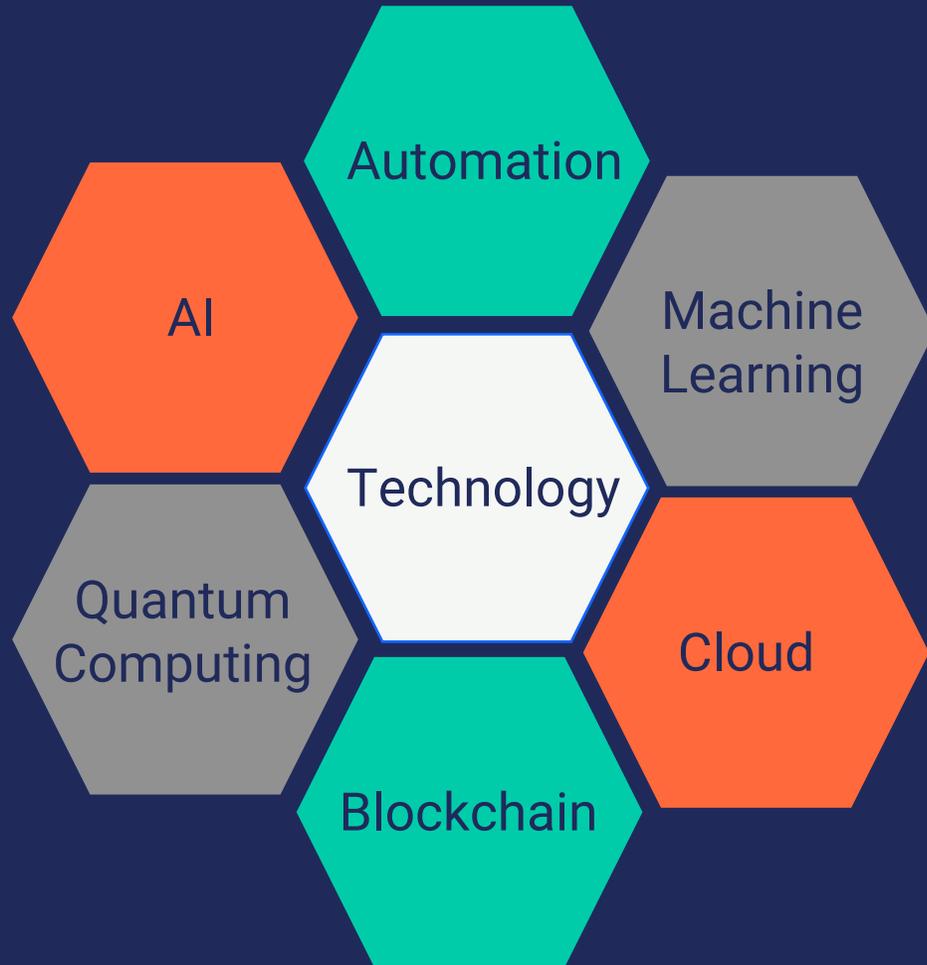
## Financial reporting

Automated reporting and analytic tools allow for tracking data more accurately, having information available in real time and enhancing record keeping

## Audit documentation

Automating the data in unstructured formats such as contracts, emails, PDFs and other documents

# Technology – evolving the audit



Current adoption of technology tools by external auditors

64% data analytics

36% cloud

11% AI

7% RPA (Robotic Process Automation)

# Industry benchmarks and standards

# The benchmark for quality audits

- ISA 505  
(The Auditing and Assurance Standards Board, AUASB)
- ISQM Quality Management  
(The International Auditing and Assurance Standards Boards (IAASB))



# The importance of taking control – the auditor's role

# Auditor's role

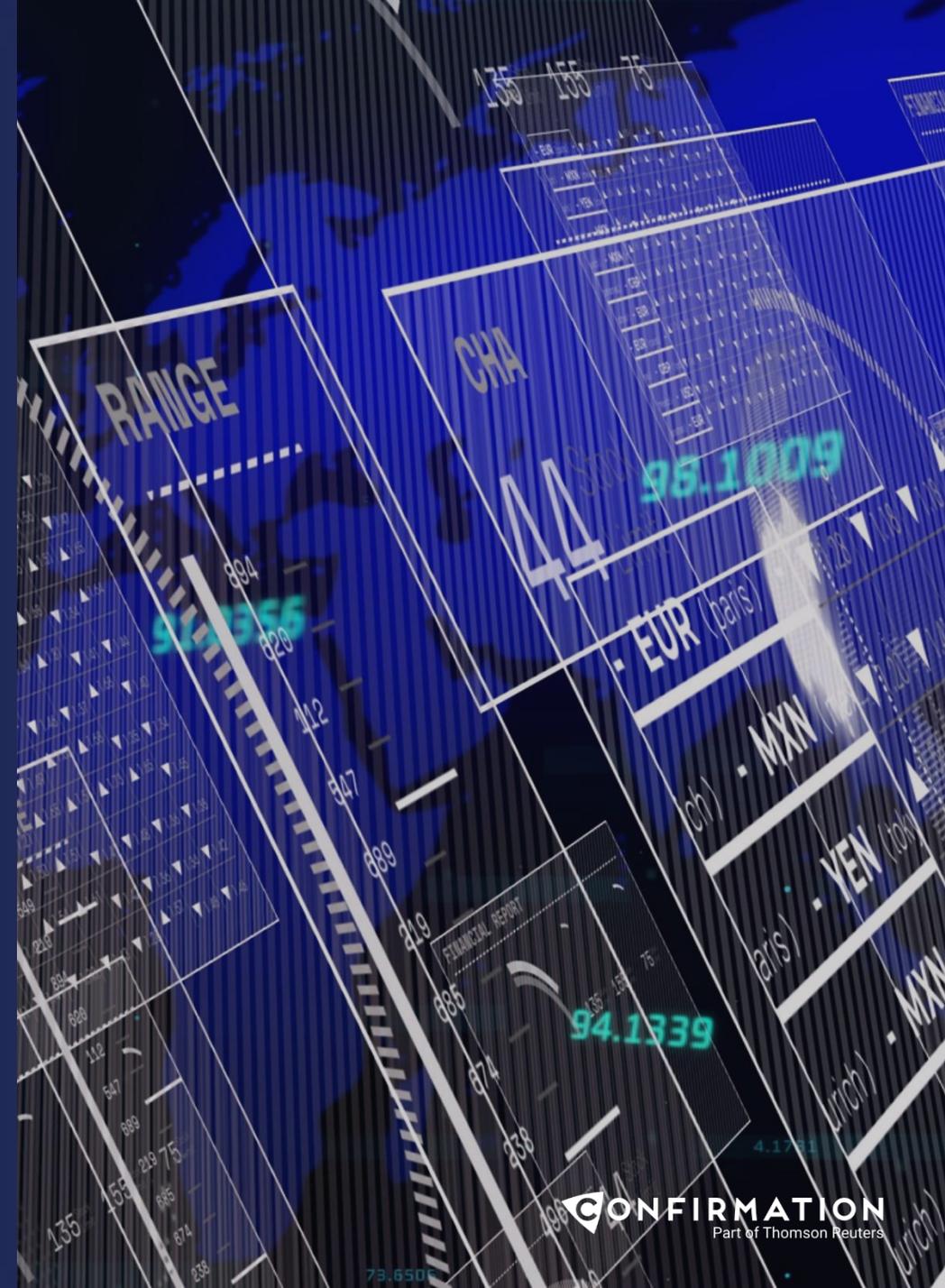
- Focus on adding value to clients you serve
- Attracting, retaining and training staff



# The future of digital – for the audit industry

# What % of digital transformations fail?

- 30%
- 40%
- 50%
- 70%
- 80%



# What do you need to know before you choose your technology service providers?

1. Leadership and governance
2. Scoping
3. Testing
4. Security
5. Privacy and confidentiality features
6. Maintenance of software
7. Data breaches/back up
8. Layered service provision
9. Security controls of other software/interfaces
10. Business continuity and disaster recovery

# How Confirmation works

Confirmation speeds up, secures and centralises the confirmation process between auditors, clients and responders



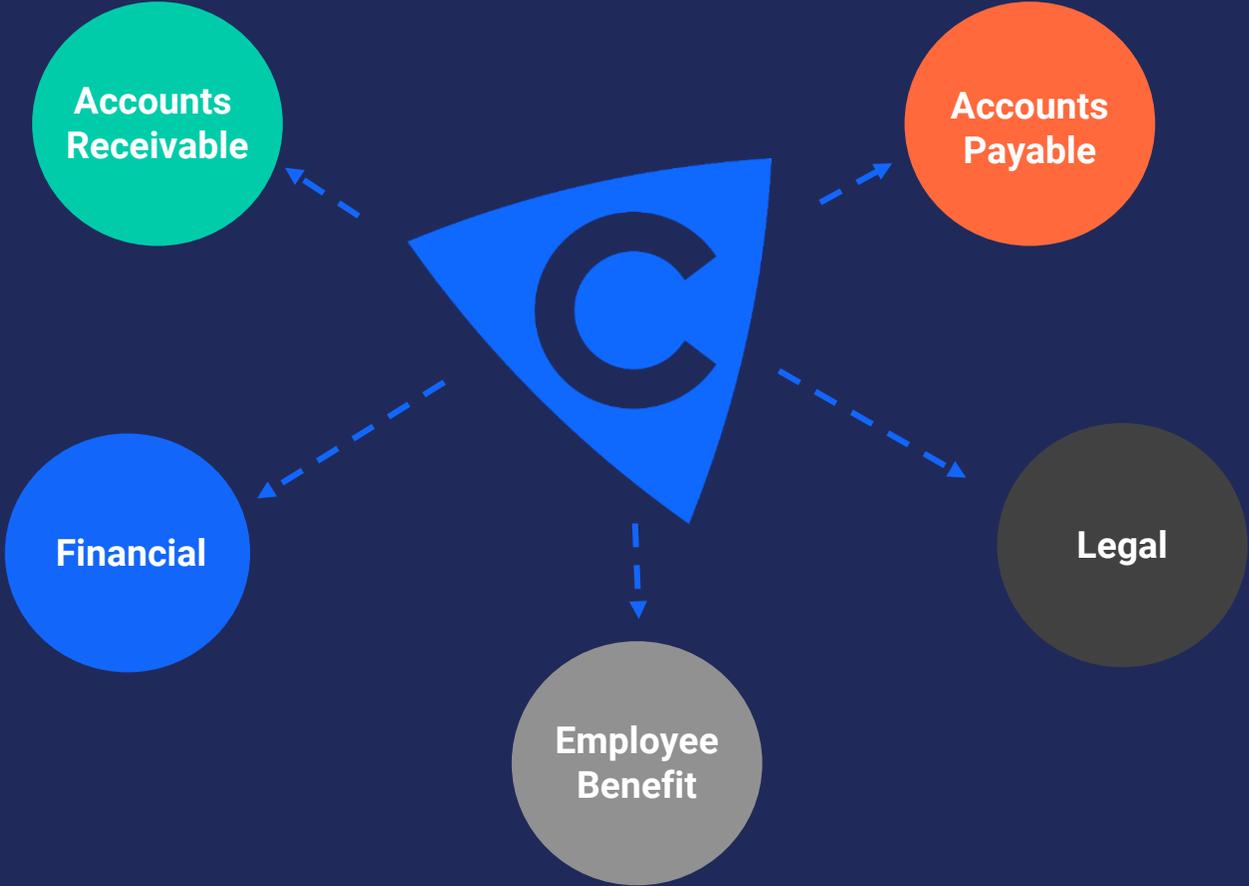
- ✓ Quick turnaround time
- ✓ 100% response rate

- ✓ Authorized/validated parties
- ✓ Low error rate

- ✓ Promotes business continuity
- ✓ Secure platform

# Request all confirmations from one platform

CONFIRMATION speeds up and simplifies AR/AP, bank, and legal confirmations



# Exclusive ISCA Member Offer

Unlimited use of our AR/AP confirmation service for 30 days

A complimentary 30-minute training session will be offered, to help you quickly get started.

Start now [www.apac.confirmation.com/isca2022](http://www.apac.confirmation.com/isca2022)



*Available until the 15 September 2022*

*Applicable to ISCA members only*

# Summary

- Clients expect their auditors to be current with new technologies
- Auditors should follow best practice, protecting your corporation from fraud
- Auditor's role should focus on adding value to clients and on attracting, retaining and training staff
- Invest in technology - selecting a suitable technology service provider is crucial for business continuity

"It's not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change."

**- Charles Darwin**

Thank you

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