

Audit Conference



 #AUDITCONF



CHARTERED ACCOUNTANTS™
AUSTRALIA • NEW ZEALAND

Analytics in Audit - What, Why and How?



Sarah Butler

Head of Audit & Accounting
CaseWare Australia & New Zealand



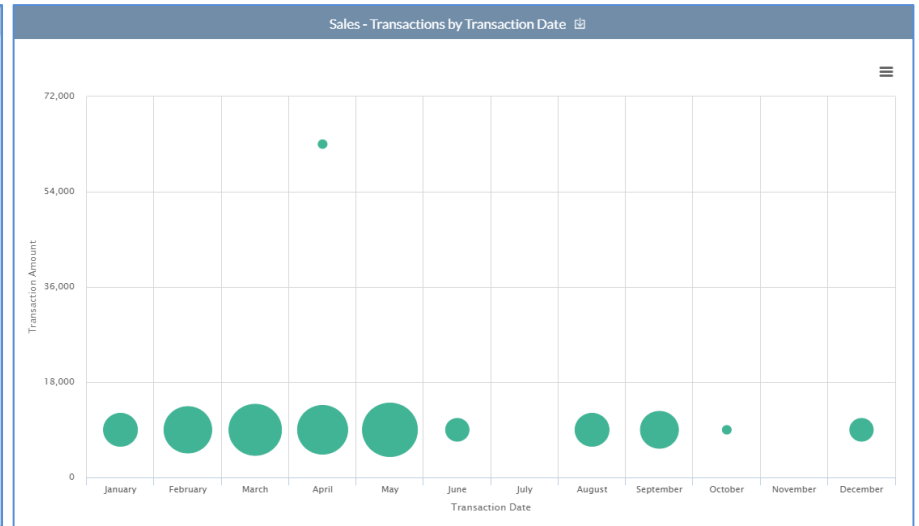
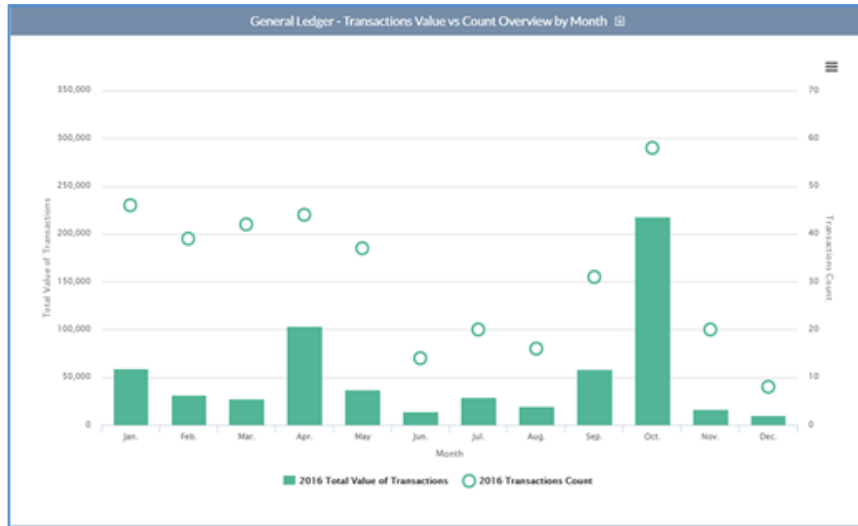
Questions to answer:

- How does Analytics fit into audit?
- Is it a viable option for me?
 - Data is key
- Do the standards support me?
- Why should I use Analytics in audit?
 - Examples in practice
- How do I start implementing analytics?

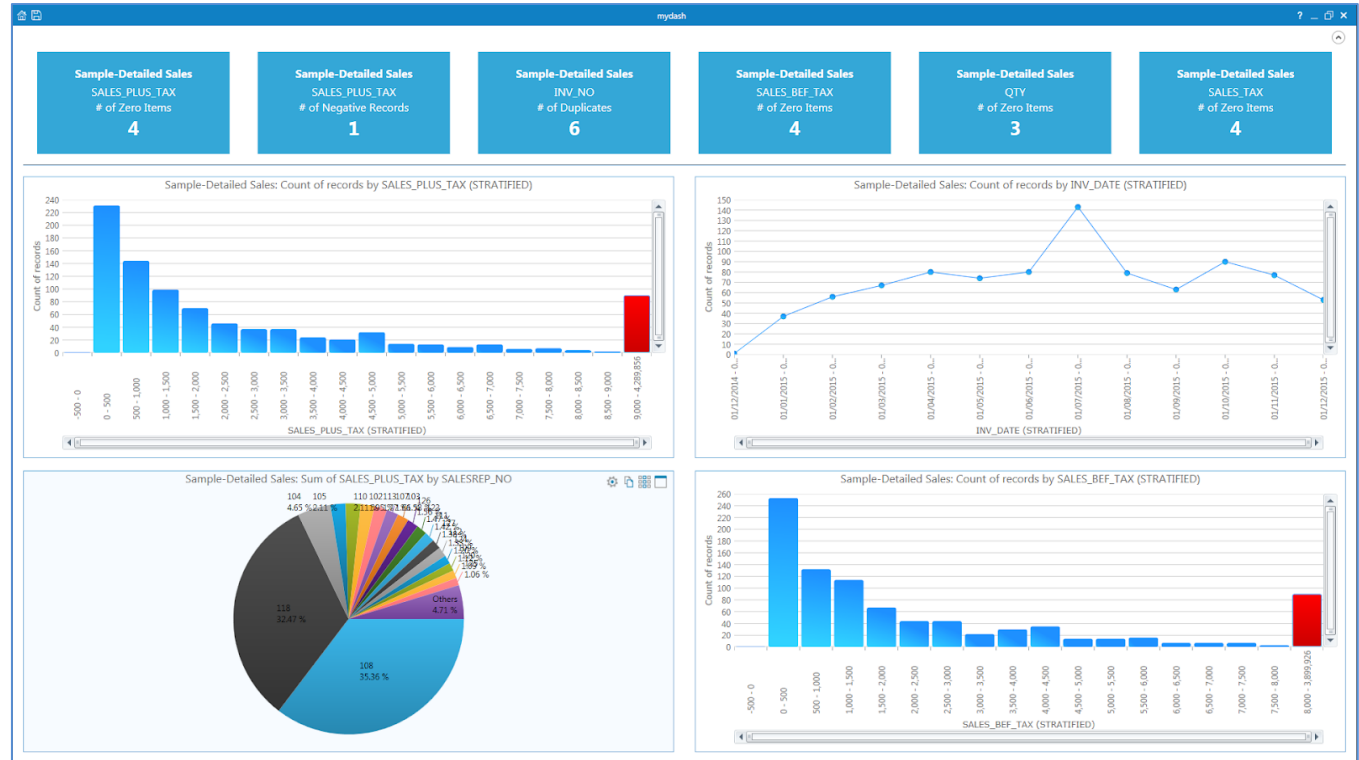
Brief recap

- **What is Analytics within an audit?**
 - Interrogate, verify & review data
 - Statistical modelling & analysis
 - Data interrogation
 - Data visualisation

Data visualisation



Data visualisation



HOW does Analytics fit into audit?

- Analytics can be used throughout:
 - Pre-audit
 - Planning & risk assessment
 - Risk Response
 - Reporting

Is Analytics a viable option for me?

- Don't need an expensive technology solution to do analytics
- Tools available:
 - Purpose-built analytics solutions
 - Audit solutions
 - Microsoft Excel

Is Analytics a viable option for me?

- Data is key!
 - Complete data sets required
 - Reliable data source?
 - Data collection & transformation plan

Analytics - data collection plan

- Step 1: Identify **questions & assertions** to be answered
- Step 2: Confirm data requirements to meet **audit objectives**
- Step 3: Determine **source of data** & understand relevant processes
- Step 4: Refine **data requirements**
- Step 5: Determine data **file formats**
- Step 6: Determine **how to obtain** data
- Step 7: **Request & verify** data

Do the standards support me?

- In short, yes!
- AUASB recognises technology impact

“Practitioners are exploring the use of technology and investing significant amounts of money into its development... it is important that the standards and the principles that underpin them do not stand in the way of innovation”

Analytics - WHY should I?

Efficiency

- Automate previously manual processes
- Less time spent testing

Quality

- Data-driven audits
- Test more data
- More accurate results

Value

- Provide value to your clients
- Insights and recommendations

Innovation

- Utilise new technology
- Be seen as innovative by clients



Analytics - examples in practice

Financial Statement Area: Accounts Receivable

Assertions	<ul style="list-style-type: none">• Completeness• Existence & Occurrence• Valuation
Data required	<ul style="list-style-type: none">• Accounts Receivable transactions listing• Accounts Receivable customer balances (aged listing)• Customer master file (i.e. list of customers)
Tests to perform	<ul style="list-style-type: none">• Identify and test high value, credit and related party transactions• Unrecorded & duplicate sales - analyse invoicing sequences to look for gaps & duplicates
Benefits	<ul style="list-style-type: none">• Efficiency - quickly analyse 100% data sets - commonly large in this area• Quality - easy tests to run to ensure existence, more reliance than sampling• Value - report to client on control weaknesses that commonly go unnoticed

Analytics - examples in practice

Financial Statement Area: Accounts Payable

Assertions	<ul style="list-style-type: none">• Completeness• Existence & Occurrence• Presentation & Disclosure
Data required	<ul style="list-style-type: none">• Accounts Payable transactions listing• Accounts Payable supplier balances (aged listing)• Supplier master file & Employee master file
Tests to perform	<ul style="list-style-type: none">• Identify and test high value, debit and related party transactions• Duplicate payments (various criteria - duplicate amounts, suppliers, transactions, etc.)• Compare Supplier Master & Employee Master - look for matching bank accounts
Benefits	<ul style="list-style-type: none">• Efficiency - high volume of transactions can be 100% analysed• Quality - high risk area, so extensive testing strengthens conclusions & audit opinion• Value - provide insights into control weaknesses of opportunities for improvement

Analytics - examples in practice

Financial Statement Area: Payroll

Assertions	<ul style="list-style-type: none">• Completeness• Existence & Occurrence• Accuracy
Data required	<ul style="list-style-type: none">• Employee master file• Monthly payroll transaction reports
Tests to perform	<ul style="list-style-type: none">• Search data for duplicates• Compare master file data to monthly payroll costs
Benefits	<ul style="list-style-type: none">• Efficiency - Large data sets often need to be combined - quick & easy with technology• Quality - No need to rely on a small sample• Value - Help client proactively correct potentially very costly issues

Analytics - examples in practice

- Auditor 'war story'
 - \$90k laundry expense
 - Bookkeeping error
 - **Value** - Controls weakness identified, reported to client
 - **Quality** - Increased sample size and testing over payments

Analytics - HOW do I?

- Choose a solution that best suits you
- Develop data collection plan & educate clients
- Staff training
- Manage the transition to data-driven audits
 - phase in over time?
 - select group of clients first?
 - all in?



Questions?

Suggested resources

- AICPA's [Audit Data Analytics to Audit Procedures Mapping Document](#)
- CaseWare's comprehensive **Analytics for External Auditors** guide (WIN a copy at our stand!)
- CaseWare Australia & New Zealand website - <https://www.caseware.com.au/dataanalytics>
- Product explanation brochure at our stand

Disclaimer: Copyright © 2019 Chartered Accountants Australia and New Zealand ABN 50 084 642 571 (CA ANZ). All rights reserved. The content of this document is protected by copyright and under international copyright conventions. Except as permitted by law, if you wish to reproduce, copy, publish, communicate, exploit or make an adaptation of any of our content, you must first request our permission by sending an email to info@charteredaccountantsanz.com.au.

This document is intended for general information only and is not accounting or other professional advice. Any opinions expressed in this material do not necessarily represent those of CA ANZ or its members.

While care and consideration has been taken in the creation of this document, CA ANZ does not warrant, represent or guarantee that the material published in this document is in all respects accurate, complete or current. To the extent permitted by law, CA ANZ excludes any liability including but not limited to liability for negligence, loss or damage arising from reliance on this document.