

Presented by



Evaluating your current technology choices

How should you be considering and assessing the technologies used within your Audit Practice?

Evaluating your current technologies

1. Technology list

- a. List all the technology, equipment and software you use in your firm.
- b. Give each a rating according to what it brings to your practice (e.g. vital, useful, nice-to-have, unknown use...).
- c. Order it according to different business functions:
 - i. Record how many people use the technology, equipment & software.
 - ii. Compare it to the number of licences you have paid for - consolidate licenced users or expand licence numbers if required.

2. Technology review

- a. Consider all of your 'vital' tech and ensure that it is adequate for the job required (eg. enough RAM (i.e. memory) and CPU processing power in laptops so your staff can work at maximum efficiency). Do similar investigations on each of the other categories (useful, nice-to-have etc).
 - i. Are you using the latest/adequate versions - if not, why not (nb: security is commonly enhanced/strengthened in software updates)?
 - ii. Has everyone got adequate skills? If not, get them trained or re-trained. Ensure you have a 'champion' or two and actively encourage knowledge sharing.
 - iii. Are there cloud alternatives for more flexibility/scalability?
 - iv. Do you incur significant infrastructure/specialist IT costs to support each product? Are there cloud alternatives out there to reduce these?
 - v. What else could be changed for a better outcome?
- b. Understand key software 'intricacies'.

For example: Are there 'black box' formulae in the software that you need to ensure is accurate and appropriate as an auditor? If so, can your vendor explain this to you (a non-disclosure agreement may be required)?

3. Question your vendors

- a. Do you understand the direction of where vendors expect to develop their products? Will **their** future roadmap work for **your** practice, and the other technology and products you need theirs to work with?
- b. Are regular enhancements and updates made to the software (important for latest security reasons as a minimum consideration)? Is the product nearing logical 'end of life' (eg. only works with Windows 7 perhaps)? Are the updates easy to implement, or do you need special IT staff assistance? How good is their support for this process?
- c. What certifications for security/quality has the vendor achieved or is currently working towards? Have they invested beyond the basic development of a technical product?
- d. What is their customer service like? What service levels apply? Where is the Customer Service team situated? What are the help or other support features like (Youtube channel, webinars, helpful blogs, online knowledge base, training videos, training courses)?
- e. Who owns the company - private vs public? Genuine investment in the industry and continual communication with key stakeholders (eg. legislators, professional industry bodies) is key for your 'vital' technology and software choices. Do you feel that an obligation to investors or shareholders has limited these interactions?

4. Data Security & Sovereignty

- a. Where is the data that is uploaded and/or created using the software product stored?
 - i. If it is stored locally on computers or a company server:
 - Is it backed up regularly? Are backup & restore exercises regularly tested? Are backups fully secure from hacking? Is it sensitive data? Should it be encrypted? Are backups also stored off site?
 - ii. If it is stored on the Cloud:
 - Where are the host servers located? In Australia? Another country?
 - Is data encrypted? At what stage: In storage? During 'transit'? At all times? Have any certifications been achieved in this regard?
- b. What privacy laws apply for this data? What type of data is it (client information, client transaction data...)?
- c. What data breach laws apply? What process has the vendor got in place for reporting data breaches?

5. Your forward plans

- a. Develop a comprehensive list of the functionality you need in your firm's 'tech stack' going forward.
- b. Determine the products and vendors you believe will assist you to achieve the best tech solutions for your requirements.
- c. Start planning to update your tech stack in logical steps - don't replace everything in one swoop (this could be diabolical for your ongoing business). Instead, try to:
 - i. have an incremental improvement plan thought out with a timeframe you wish to achieve, and what would constitute success.
 - ii. be strategic with your planned improvements and slot key software changes into periods that are 'less busy' or less critical for business outcomes (ie. avoid key industry deadlines and busy 'leadup' periods).
- d. Understand that processes you currently follow within your firm, may require some tweaks to achieve a great outcome with new technology (or an entirely new process) - changing your workflow can be much simpler to achieve and far more effective, than trying to replicate the way you have always done something with a new piece of technology.
- e. Commit to the changes - fully understand the changes you need to commit to and why. Communicate these to your entire team.
- f. Everyone needs to be ALL IN. This is your 'cheat sheet checklist' for your tech stack update:
 - i. Consider project by project (incremental) improvements.
 - ii. Ensure the entire management team is on board and committed.
 - iii. Consider changing your workflows versus tailoring your 'vital' software to suit the way you currently do your work. Updates of software become more seamless if specific company tailoring for workflows is avoided, except in areas that can be transitioned easily (eg. vendor has provided tailoring resources and transition options within the application).
 - iv. Commit time & resources to proper training on new technology and workflow changes.
 - v. Establish product 'champions' to help get your whole team on board with the changes.
 - vi. Empower tech savvy graduates/juniors, with nominated mentors and adequate support and encouragement.

6. Other resources

CA ANZ Article: 'How technology will allow audit to look forwards not backwards'

<https://www.charteredaccountantsanz.com/news-and-analysis/insights/research-and-insights/how-technology-will-allow-audit-to-look-forwards-not-backwards>

FRC Definition of audit quality	How the use of technological resources can contribute to audit quality
<p>High quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and trustworthy basis for making decisions. Auditors carrying out high quality audit act with integrity and objectivity, are demonstrably independent and do not act in a way that risks compromising stakeholders' perceptions of that independence.</p>	<ul style="list-style-type: none"> • Aids professional scepticism • Analysis of entire populations demonstrates a lack of bias • Automates routine audit processes and procedures, allowing more time to focus on areas of significant judgement.
<p>High quality audit complies with both the spirit and the letter of regulation and is supported by rigorous due process and quality assurance. It clearly demonstrates how it reflects investor and other stakeholder expectations, is driven by robust risk assessment informed by a thorough understanding of the entity and its environment and provides challenge, transparency and insight in a clear and unambiguous way.</p>	<ul style="list-style-type: none"> • Deepens the auditor's understanding of the entity and its processes • Facilitates robust risk assessment through the analysis of entire populations • Enables ongoing risk assessment throughout the audit process • Facilitates the focus of audit testing on the areas of highest risk through stratification of large populations • Enables the auditor to perform tests on large or complex datasets where a manual approach would not be feasible • Enables the independent reperformance of complex calculations and modelling • Improves consistency and central oversight in group audits
<p>High audit quality provides a strong deterrent effect against actions that may not be in the public interest, underpins stakeholder confidence, and drives continuous improvement.</p>	<ul style="list-style-type: none"> • Identifies instances of potential fraud • Identifies unusual patterns and exceptions that might not be discernible using more traditional audit techniques • Management awareness that entire populations will be analysed

Source: The Use of Technology In The Audit Of Financial Statements. AQR Thematic Review, March 2020 (Page 4)
https://www.frc.org.uk/getattachment/1c1478e7-3b2e-45dc-9369-c3df8d3c3a16/AQT-Review_Technology_FINAL.pdf

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