

The future of assurance

How technology is
transforming the audit

Viewpoint

Advances in technology are fundamentally changing the nature of the audit. How can auditors harness the latest technology to enhance the way they analyze information?

Technological advances are a game-changer for the audit. Big data and analytics are enabling auditors to assess ever-increasing volumes of data. This is changing the nature of audit by enabling auditors to better identify financial reporting, fraud and operational business risks and tailor their approach to deliver a more relevant audit.

Technology affords us the opportunity to deliver increasingly comprehensive testing, with improved focus and audit quality. These new capabilities signal significant change for our profession.

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Game-changer

The technological advances made over the past few years are making high-performance computing and the ability to obtain valuable insights from client data more accessible to audit teams.

The advent of internally-hosted cloud computing and cheap data storage has improved the availability of increased computational capability that we can effectively integrate into the audit process. This enables audit teams to consume larger volumes of audit-relevant

data than was previously possible to support the audit.

The combination of big data, advanced analytics and visualization technologies are delivering audit and business insights that impact the way an audit is planned, executed and delivered. For example, instead of testing a sample of revenue transactions to assess the appropriateness of revenue recognition, an auditor can now analyze all revenue and contra-revenue transactions to identify inconsistencies across the business or anomalies with specific customers or business units.

This allows us to identify transactions that fall outside expectations for further examination and testing. We are able to categorize activity based on its attributes, identify risks and drill down to examine the underlying transactions and the details that help to explain why we see something that deviates from the norm. Thus, our testing procedures are targeted, while expanding our audit evidence over a complete population of transactions. This increases the quality of our audit while

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allowing us to share more meaningful insights with our clients.

Starting earlier

Thanks to these developments, we are able to be more forward-looking much earlier in the audit process. Historically, analytics were mainly used to carry out year-end substantive procedures. In those cases, to validate the account balance, we would obtain the underlying

In summary

- ▶ **Game-changer** – how big data, advanced analytics and visualization tools are transforming our audit capability.
- ▶ **Starting earlier** – the tools enable auditors to start analyzing data earlier and to focus resources on high-risk items and those where more judgment is required.
- ▶ **High expectations** – regulators, investors and clients now expect more from the audit in terms of its scope and value.

details from the client and then select and analyze a sample.

Now, we begin gathering audit-relevant data earlier in the audit process so we can use the analysis of that data to influence our audit scoping, risk assessment and planning. For example, analyzing the details of a loan portfolio in advance by applying our collective quantitative expertise (financial, risk management

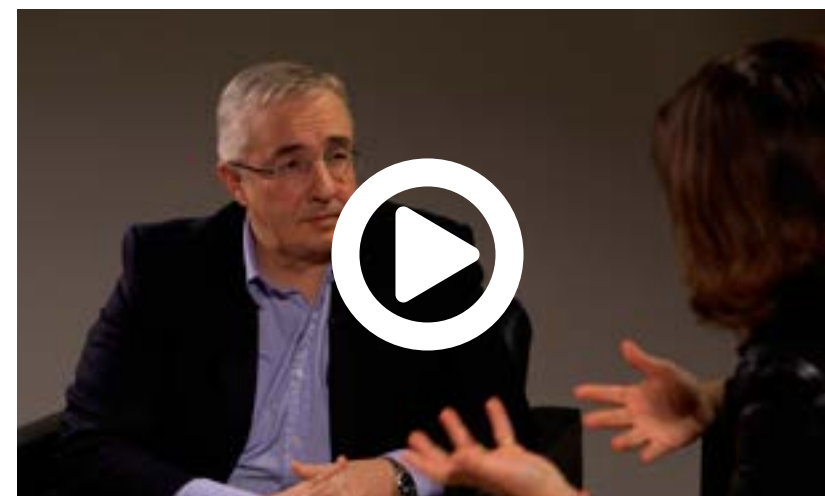
and IT) helps us to better assess the risk profile of that portfolio. This makes us more effective by enabling us to focus our resources on high-risk items and those where more judgment is required.

High expectations

The current economic climate continues to emphasize the role of independent auditors in the financial markets, with increasing expectations of the scope and value of the audit. Technology innovation is having a transformative impact on the audit and providing us with an opportunity to align the audit with the expectations of the regulators, investors and clients.

However, the practicalities of embedding new technologies into the audit process are not without challenges. Data capture has traditionally been an onerous task. In many cases, clients are concerned about the security of their data and are reluctant to have that data taken outside of their organizations. Building analytical models that produce high-quality audit evidence and valuable business insights across multiple business processes and

Isabelle Santenac and Hywel Ball on tech advances





industries is no small task. The availability of qualified and experienced resources to process and analyze the data is scarce. We are committed to addressing these challenges in order to deliver a high-quality and valuable audit.

Over the past three years, we have invested significantly in audit tools and analytics – more than we have ever

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done before. This investment includes: deploying technologies, systems and processes; acquiring talent to complement our existing 3,500 analytics professionals; expanding our analytics solution and IP development team; and building on 14 prior acquisitions in the analytics space with additional acquisitions and alliances.

As such, we have developed and are deploying EY Helix – a globally consistent and scalable technology platform that allows us to manage the end-to-end analytics process. EY Helix assists with coordinating data capture, securely managing client data, and applying the most relevant sector- and process-specific analytics to our audits.

Finally, we recognize that true transformation of the audit cannot be

accomplished without the right talent. To that end, we are investing in building our professionals' competencies to successfully deliver and consume analytics in the audit. We continue to hire staff with the best skill sets and have expanded our training for existing professionals in audit analytics.

This commitment underlines our conviction that the EY audit is being dramatically transformed by technology, analytics-enabled audit methods and the right talent, and EY is setting the pace in terms of how to champion it.



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