



# Old habits die hard: Modernizing your audit practice

## Introduction

Given the availability of data, greater client expectations, and an influx of innovative technologies, today's auditors are increasingly rethinking how they approach their work and advance efficiencies.

Even before the COVID-19 pandemic, an evolution of audit was already underway. Post-pandemic, the acceleration toward remote audits has shifted into high gear. Clients want and expect their auditors to be current with new technologies, up to speed on evolving regulatory changes and professional standards, and well-skilled in communication and critical thinking.

To remain competitive, firms must embrace innovation to help propel them into the next generation of audit.

This white paper explores how firms can modernize their audit practice and, in turn, improve efficiencies, strengthen data security, and attract and retain top talent in today's challenging environment.



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## Technology: the key to modernization

Modernizing the audit practice begins with implementing the *right* technology. Innovative solutions, such as **cloud-native platforms**, data analytics, and artificial intelligence (AI), are key to unlocking improved workflow efficiencies, greater use of data, strengthened security, and deeper risk assessments.

Consider this: the pre-pandemic Audit 2025: The Future Is Now survey by KPMG/Forbes Insights of CEOs, CFOs, and other financial executives found that 78% believe auditors should use more sophisticated technologies for data gathering and analysis. And 67% of respondents said they are looking for increased technology skills in auditors.<sup>1</sup>

There has never been a more important time for firms to ensure they have the right tools in place to transform workflows and deliver clients the rich business insights and **modern experience** they desire and have come to expect.

## The cloud: table stakes for a modern audit

Cloud solutions — more specifically, cloud-native solutions — are a must-have for firms looking to **modernize their audit practice**. This is especially true considering COVID-19. While advancements in technology were already reshaping the audit process, the closure of physical locations for some businesses and the need for social distance due to the pandemic fast-tracked remote audits.

In fact, a Financial Education & Research Foundation (FERF) study found that 62% of auditors said COVID-19 and auditing in a remote environment has increased integrated audit efforts, including quarterly reviews. The same study found 87% of public company respondents expect there to be an increase in virtual meetings with external auditors, and 83% anticipate a reduction in time spent on site because of the pandemic.<sup>2</sup>

Furthermore, according to the results of leadership and management consulting firm Convergence Coaching's 2020 Anytime, Anywhere Work Survey, 52% of firms reported that they are actively approaching clients about permanently moving to remote audits. And in 67% of firms, team members are developing new collaboration methodologies to replace the onsite, group experience.<sup>3</sup>

The ability to conduct remote audits effectively and securely begins with implementing the right cloud solution. A cloud-native solution, unlike solutions that are simply cloud-enabled, is designed and built in a cloud infrastructure. Leveraging a cloud-native solution enables firms to enjoy the cloud computing delivery model's full advantages and deliver a modern user experience.

*"Remote audits are the way things are going to go, even post-COVID, I believe, but you can't do any of that without a cloud-native application. A lot of firms are still getting by with desktop applications that are hosted on firm servers, but you don't get the integration with other features and other types of applications unless it's a cloud-native, end-to-end audit solution,"* said Steve Lindsey, Senior Director, Product Management – Audit and Accounting at Thomson Reuters.<sup>4</sup>



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1. Audit 2025: The Future Is Now (Rep.). (2017). Retrieved <https://assets.kpmg/content/dam/kpmg/us/pdf/2017/03/us-audit-2025-final-report.pdf>  
 2. FERG. (2021, February 25). FERG's Annual Public Company Audit Fee Survey Reveals New Accounting Standards and Acquisitions Increased Audit Scope and Fees [Press release]. Retrieved from <https://www.financialexecutives.org/About-FEI/For-the-Press/2021/FERG-Annual-Public-Company-Audit-Fee-Survey-Reve.aspx>  
 3. 2020 Anytime, Anywhere Work Survey (Rep.). (2020). Retrieved <https://www.surveymonkey.com/r/2020ATAWWSRS>  
 4. Lindsey, Steve, phone interview, May 11, 2021

Outdated systems and applications are disconnected from one another, leading to version-control issues, collaboration issues between peers and clients, and missed opportunities to leverage them between various tools and users. Firms can maximize time and minimize risk on even the most complex audit engagements by turning to a completely integrated, cloud-native solution.

It's important to note that using outdated systems can also lead to increased security risks. Why?

Accounting firms are gatekeepers to a treasure trove of sensitive client data and are responsible for ensuring that data is protected. Some firms, especially small to mid-sized firms, may not have the resources needed for a robust IT department. They may be using outdated software and on-premise servers, which can carry significant risks. Outdated software leaves firms open to security vulnerabilities such as malware. On-premise servers, if not properly maintained and secured, carry the risk of loss of data, as well as backup and recovery challenges. Yes, firms can store data on an off-site backup server, but this comes with additional costs and maintenance fees. Furthermore, if a laptop gets misplaced or stolen, sensitive data can fall into the wrong hands.

Cloud solutions provide greater security because they store client data on remote, encrypted servers with redundant, up-to-date security measures for retrieval only by those people authorized to access them. Leveraging the cloud also helps ensure business continuity when the unforeseen happens, such as a natural disaster, cyberattack, or a global event like the COVID-19 pandemic.

In short, cloud-native platforms are an essential first step toward a modernized audit practice. If your firm is still using outdated software, it's time for a change.

## Greater automation



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A commonly cited study estimates that companies could be losing 20% to 30% in revenue each year due to inefficiencies.<sup>5</sup> Is your firm among them?

The reality is that inefficiencies and bottlenecks in your firm's workflow negatively impact productivity and time spent on tasks, quality of services, and ultimately profitability. Sharing data across applications and leveraging automation to weed out tedious, manual tasks, such as double entry of data, enables firms to save time, resources, and streamline workflows.

Consider, for example, the integration of the **Confirmation** solution, a provider of secure audit confirmation services, with Thomson Reuters® Cloud Audit Suite. This eliminates the need to use multiple applications and enables firms to manage the full spectrum of audit tasks, including digital audit confirmations, in one place.



### WHEN EVALUATING AN INTEGRATED, CLOUD-NATIVE PLATFORM, CONSIDER A SOLUTION THAT DELIVERS THE FOLLOWING FEATURES, TO NAME JUST A FEW:

- A web-based engagement management tool that requires no software downloads, updates, or versioning that impacts productivity
- Automated document retention policies
- The ability to instantly access audit data from any location with simplified workflows that eliminate the worry about transferring, backing up, restoring, or refreshing audit files
- Web-based audit planning workflow management that ensures staff always has the latest version of a document
- The ability to initiate, monitor, and receive confirmations all from within one application
- Ingests data from 100% of client accounting systems in real time
- An automated sampling process to save time
- Automated PBC workflow and project management, as well as data extraction and validation from 100% of client ERP systems

5. Candito, Nick. How Inefficient Processes Are Hurting Your Company. 8 Dec. 2016, [www.entrepreneur.com/article/286084](http://www.entrepreneur.com/article/286084)

Leveraging application programming interfaces, more commonly known as APIs, is also key to achieving greater automation of key processes.

An API is a set of routines, protocols, and tools for building software applications. An API specifies how software components should interact and enables applications to exchange data and functionality. In short, **APIs connect otherwise disconnected third-party systems.**

With APIs, modern audit practices can:

- Avoid entering data manually to reduce the risk of errors
- Increase visibility of client needs with connected solutions
- Gain insights for analysis and decision support
- Automate key processes and reduce hours spent on mundane tasks
- Connect otherwise disconnected third-party systems

*“Where we’re headed is trying to get everything in one platform where you are sharing data between applications. It avoids all of the double entry,” said Lindsey. “For example, I’m going to import my client’s general ledger and I’m going to create a trial balance. My audit team will use that to do their audit. My tax staff will use that to prepare their tax return. You’re just sharing all of that data and using APIs allows you to do that. It allows programs to talk to each other and share data.”<sup>6</sup>*

## The power of data analytics and AI

Auditors can also enhance the value of the audit and transform the audit experience for both their firm and their clients by leveraging advanced technologies like data analytics and AI.

According to a KPMG/Forbes Insights survey of 250 corporate finance leaders under the age of 40, 94% of respondents believe advanced technologies promote the quality of the audit.<sup>7</sup> Furthermore, a separate KPMG/Forbes Insights survey found that when clients were asked about the attributes they value most in their auditors, more than half (56%) said, “Leverages data and analytics into actionable insights.”<sup>8</sup>

One of the greatest benefits of analytics and AI-enabled solutions is more efficient audit planning and the ability to analyze vast amounts of data to identify anomalies and patterns in a way that a human auditor cannot. This translates into a more effective audit and greater efficiencies for the firm.

*“A lot of auditors think of data analytics as replacing some test that they’re doing today. And that test is working perfectly well, so why do I need to use a different tool to get the same results? But I think the biggest use for data analytics, in our view, is in audit planning. If you can analyze 100% of the transactions very quickly, you can start to notice where the areas of risk are,” Lindsey said.<sup>9</sup>*

Implementing the right AI-enabled solutions can also help auditors improve risk assessments by, for instance, identifying and aggregating risks that other firms have identified in similar types of engagements.

To further illustrate the benefits of analytics and AI, a report by the Chartered Professional Accountants of Canada (CPA Canada) and the AICPA provided the following examples<sup>10</sup>:

**Analytics:** Can be used to dynamically visualize contract data and metrics (e.g., margin, related contract asset position) to inform risk assessment over the portfolio or analyze positions of contract types or specific contracts.

**AI:** Can be used to analyze contract agreements and documents for unusual terms or clauses that require additional consideration.



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6. Lindsey, Steve, phone interview, May 11, 2021

7. Next Generation Audit (Rep.). (2018). Retrieved <https://assets.kpmg/content/dam/kpmg/us/pdf/2018/10/kpmg-audit-forbes-nga-report.pdf>

8. Audit 2025: The Future Is Now (Rep.). (2017). Retrieved <https://assets.kpmg/content/dam/kpmg/us/pdf/2017/03/us-audit-2025-final-report.pdf>

9. Lindsey, Steve, phone interview, May 11, 2021

10. The Data-Driven Audit: How Automation and AI are Changing the Audit and the Role of the Auditor (Rep.). (2020).

Retrieved <https://www.aicpa.org/content/dam/aicpa/interestareas/frc/assuranceadvisoryservices/downloadabledocuments/the-data-driven-audit.pdf>

It is important to remember, however, that leveraging data analytics and AI-enabled solutions doesn't eliminate the role of the auditor. Rather, it improves the quality and efficiency of the audit and shifts the role of the auditor. By spending less time gathering, correlating, formatting, and summarizing data, auditors can focus more of their efforts on identifying and auditing areas of higher risk and delivering greater consultative services and strategic business insights.

As stated in the CPA Canada/AICPA report, "With the combination of today's computing power (and ease of access to it), machine learning and AI-enabled audit tools, enormous volumes of data can be analyzed to find anomalies and identify insights, patterns, and relationships that are not readily apparent to a human. However, it takes human insight and experience to understand the output, to determine if the information represents a true anomaly and, more importantly, to determine what the anomalies, insights or patterns imply in the overall context."<sup>11</sup>

## Enhance advisory services

By leveraging such advanced technologies, firms can deliver greater consultative services and strategic business insights to their clients that extend beyond the audit. This leads to stronger client relationships and, ultimately, greater profitability.

Take, for example, an auditor who has numerous clients within the construction industry and knows common ratios for that particular industry. By analyzing a client's ratios, an auditor may be able to determine, for instance, if their gross profit percentages are much lower than expected when compared with other clients within the construction industry.

*"That's the kind of information, I think, that equips auditors to be a trusted business advisor with their clients since they can share what they are seeing related to common benchmarks or ratios in a particular industry,"* said Steve Eason, Senior Director, Editorial – Audit and Accounting at Thomson Reuters.<sup>12</sup>

Further underscoring this point, KPMG/Forbes Insights research found that respondents gave audit high marks for providing more insights to help make more informed business decisions. More specifically, when asked which of the following valuable insights they received as an output from their audit, respondents said:<sup>13</sup>

- ✓ Insights leading to proactive quality assurance and regulatory compliance (67%)
- ✓ Help assessing risks and risk management practices (56%)
- ✓ More transparency about arriving at the audit opinion, and about what has been learned during the audit (54%)
- ✓ A forward-trending view of risks (47%)
- ✓ A more holistic view of the state and prospects of the organization (43%) and
- ✓ A forward-trending view of data (41%)

As stated in the KPMG/Forbes Insights report, "Clearly, auditors who look at the total landscape and drill down on the issues that are most relevant and important to a given organization can add the most value. Increasingly, clients are not only expecting this, but demanding this."<sup>14</sup>

Using a solution like **Thomson Reuters® Practice Forward**, for example, enables firms to build a scalable advisory services model that will impress clients and, ultimately, generate more revenue. Practice Forward gives firms access to proven business model concepts, instructions and exclusive tools, personal consulting sessions, and more to help them take their services to the next level.

11. The Data-Driven Audit: How Automation and AI are Changing the Audit and the Role of the Auditor (Rep.). (2020).

Retrieved <https://www.aicpa.org/content/dam/aicpa/interestareas/frc/assuranceadvisoryservices/downloadabledocuments/the-data-driven-audit.pdf>

12. Eason, Steve, phone interview, May 11, 2021

13. Audit 2025: The Future Is Now (Rep.). (2017). Retrieved <https://assets.kpmg/content/dam/kpmg/us/pdf/2017/03/us-audit-2025-final-report.pdf>

14. Audit 2025: The Future Is Now (Rep.). (2017). Retrieved <https://assets.kpmg/content/dam/kpmg/us/pdf/2017/03/us-audit-2025-final-report.pdf>

## Recruit and retain top talent

Most people have grown accustomed to using the latest devices, software, and apps in their personal lives, and they desire the same ease of use, accessibility, and convenience in the technology within their workplace. Auditors are no exception.

Implementing innovative technologies isn't only about having the latest and greatest new gadget. Modernizing your audit practice and driving greater efficiencies helps keep staff engaged, confident, and, with cloud solutions and remote capabilities, they can enjoy a better work-life balance.

When firms leverage automation to weed out mundane, manual tasks, it not only reduces the risk of errors and weeds out inefficiencies, but also provides associates the time to focus on more fulfilling and rewarding work. This means happier, more engaged employees and a reduction in staff turnover.

Enabling associates to have a better work-life balance by implementing the latest cloud technologies for **remote capabilities** is also critical in attracting and retaining top talent. This is especially true in the wake of COVID-19.

Consider this: Before the pandemic, only 20% of employed adults said they worked from home, according a Pew Research Center survey. Now, 71% of those workers are doing their job from home all or most of the time. And more than half (54%) said, given a choice, they would want to keep working from home even after the pandemic.<sup>15</sup>

Furthermore, the survey found that about half (49%) of respondents said they now have more flexibility to choose when they put in their hours, and 38% of new teleworkers said it's easier now to balance work with family responsibilities.<sup>16</sup>

In addition, firms that demonstrate an eagerness to invest in innovative technologies send a message to prospective, as well as current, employees that they are a future-ready, forward-looking practice.

*"People coming out of school want to grow their careers and are very interested in joining firms that give that sense of growing and leading. They don't want to join a practice that just maintains status quo," Lindsey said.<sup>17</sup>*

In today's complex and challenging environment, the talent war shows few signs of slowing. Attracting and retaining quality staff has been, and continues to be, a top concern for many firms, especially among those using antiquated technology.



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## Conclusion

Faced with the availability of vast amounts of data, greater client expectations, and the rise of innovative technologies such as data analytics and AI, it is imperative that today's auditors rethink how they approach their work and advance efficiencies in order to remain competitive.

For firms looking to modernize their audit practice, the journey begins with **leveraging the right technologies** that enable greater automation, deeper strategic business insights for their clients, and remote capabilities.

The good news is that firms don't have to embark on this journey alone. If your firm is among those looking for guidance, a trusted solution provider like Thomson Reuters can help modernize your audit practice and transform the audit experience for both your firm and your clients.

15. Parker, K., Menasce Horowitz, J., & Minkin, R. (2020, December 9). How the Coronavirus Outbreak Has – and Hasn't – Changed the Way Americans Work (Rep.). Retrieved <https://www.pewresearch.org/social-trends/2020/12/09/how-the-coronavirus-outbreak-has-and-hasnt-changed-the-way-americans-work/>

16. Parker, K., Menasce Horowitz, J., & Minkin, R. (2020, December 9). How the Coronavirus Outbreak Has – and Hasn't – Changed the Way Americans Work (Rep.). Retrieved <https://www.pewresearch.org/social-trends/2020/12/09/how-the-coronavirus-outbreak-has-and-hasnt-changed-the-way-americans-work/>

17. Lindsey, Steve, phone interview, May 11, 2021

## Recommended products

### AdvanceFlow

Thomson Reuters® **AdvanceFlow** is the first cloud-based audit engagement software that combines the convenience of the cloud with enterprise-level processing power. Engagements, workpapers, and colleagues are available in real time, whether you're in the office, in the field, or anywhere else. It's a new level of convenience — backed by the auditing tools and trial balance power to handle the most complex clients and the most data-heavy jobs.

### Checkpoint Engage

In a constantly changing landscape of accounting standard updates, there's a new way to achieve the efficiency, accuracy, and consistency you need to manage your audit and accounting engagements. **Checkpoint® Engage** from Thomson Reuters is the only fully integrated preparation, compilation, review, and audit solution built by your trusted global technology partner with its own worldwide footprint of developers, data scientists, innovation labs, and robust application ecosystem. Leveraging a truly web-native environment will ensure staff access and collaboration from anywhere, anytime, and completely eliminate version control worries.

### Confirmation

Confirming financial data is all about finding truth, and truth should be easy to find. But for auditors, bankers, lawyers, and credit managers, it's often difficult. We're auditors. We get it. That's why we built **Confirmation**. Our platform is the choice for easy validation of financial and other sensitive data. Trusted confirmations. Everywhere, every time. One and a half million auditors, bankers, and financial professionals around the world trust Confirmation to validate data and identify fraud.

### GoFileRoom

It's time to banish paper files and storage fees. Thomson Reuters® **GoFileRoom** is cloud-based electronic document storage software designed for tax and accounting professionals. GoFileRoom offers an arsenal of features to give your firm 24/7 access to document storage in the cloud. Your staff can quickly associate client documents to workflows while uploading files to the web-based DMS. Streamline your processes and create a truly paperless office. Plus, integrate GoFileRoom with other products to save even more time and money.

### AuditWatch

The recognized leader in productivity, Thomson Reuters® **AuditWatch** serves the profession by providing technical and professional training to master your specialization and leading experts to partner with firms. AuditWatch is available in three delivery options: public seminars, in-house seminars, and customized training. AuditWatch also offers consulting, customized course development, and more. Public live seminars offer open enrollment while on-site, firm-specific seminars and customized training for professionals are tailored to meet your firm's development needs. Customized webinars are also available.

### Checkpoint® Edge

Trusted by 200,000 users, **Checkpoint Edge** from Thomson Reuters is the next generation of our Checkpoint research and guidance tool for tax and accounting professionals. It delivers the latest in artificial intelligence, cognitive computing, and machine learning technologies, combined with the tax and accounting expertise of our editorial staff. It enables you to find fast, accurate answers with a more fluid and intuitive user experience.