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MODULE 5

The future of auditing

In this Topic

1. Technology in accounting
    a. Accounting information systems
    b. Data dashboards
    c. Blockchain and cryptocurrencies
2. Technology in audit
    a. Existing technology
    b. Big data / data analytics
    c. Drones? Remote working?

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Context

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1A – Tech in accounting

Accounting information systems

Terminology

- Control systems related to technology – 2 types
  - 1.
  - 2.

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How tech is used by our clients

- Accounting systems
- Enterprise wide systems

- Internal control activities
  - Inventory
  - Sales
  - Payments
  - Editing transactions

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How do we audit information systems?

- Part of evaluating the System of Internal Controls
- Evaluating the general controls environment
  - Access to the computer environment
  - Roles within the computer environment
  - Back ups?
  - Disaster recovery? Business continuity?
  - Physical computer security – individual machines & servers

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How do we audit client information systems?

- Auditing the application controls environment
  - Audit through the computer
  - Audit around the computer
- Input/output analysis
- Test data and transactions

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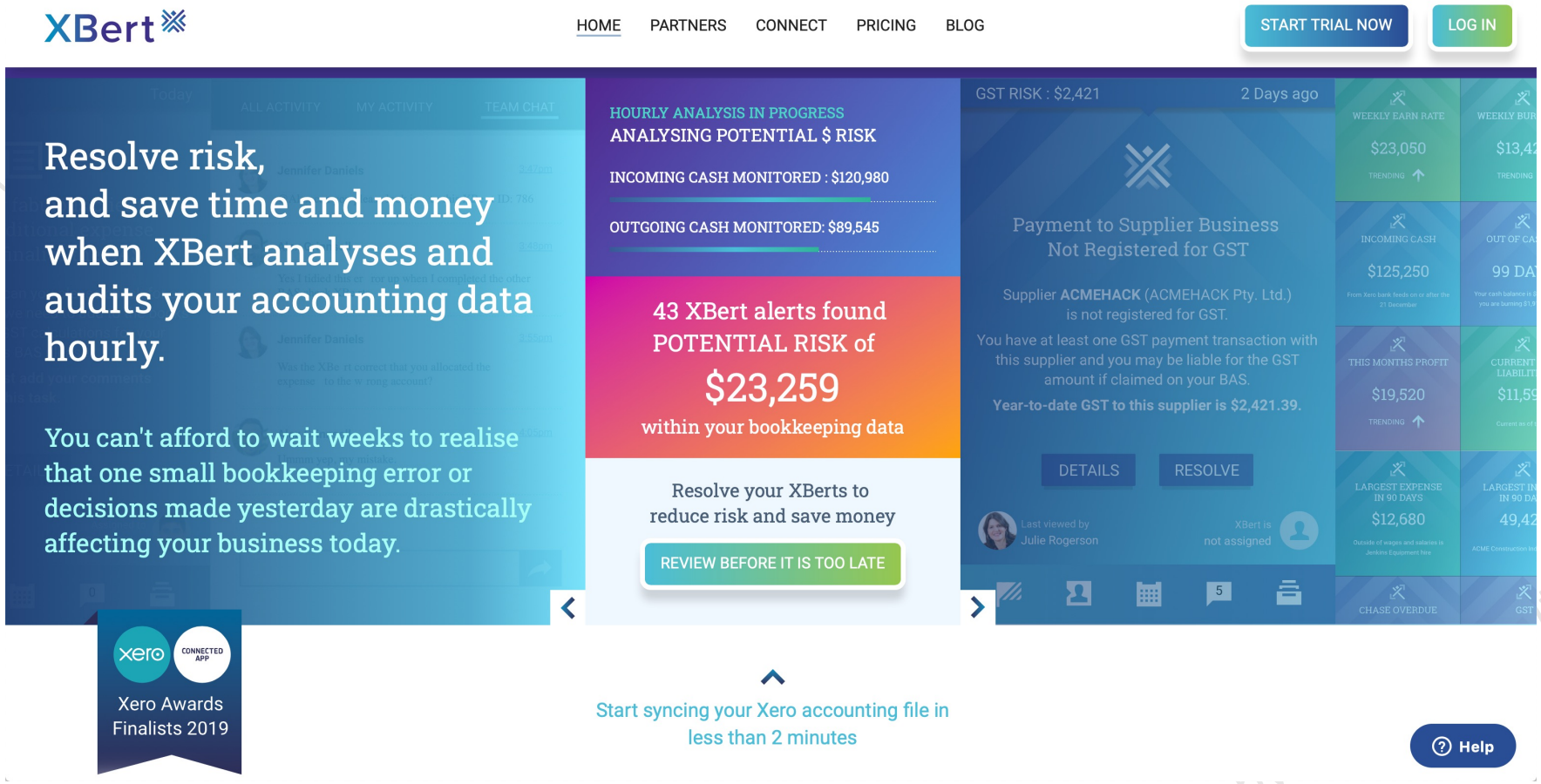
1B – Tech in accounting

Data dashboards

What is a data dashboard?



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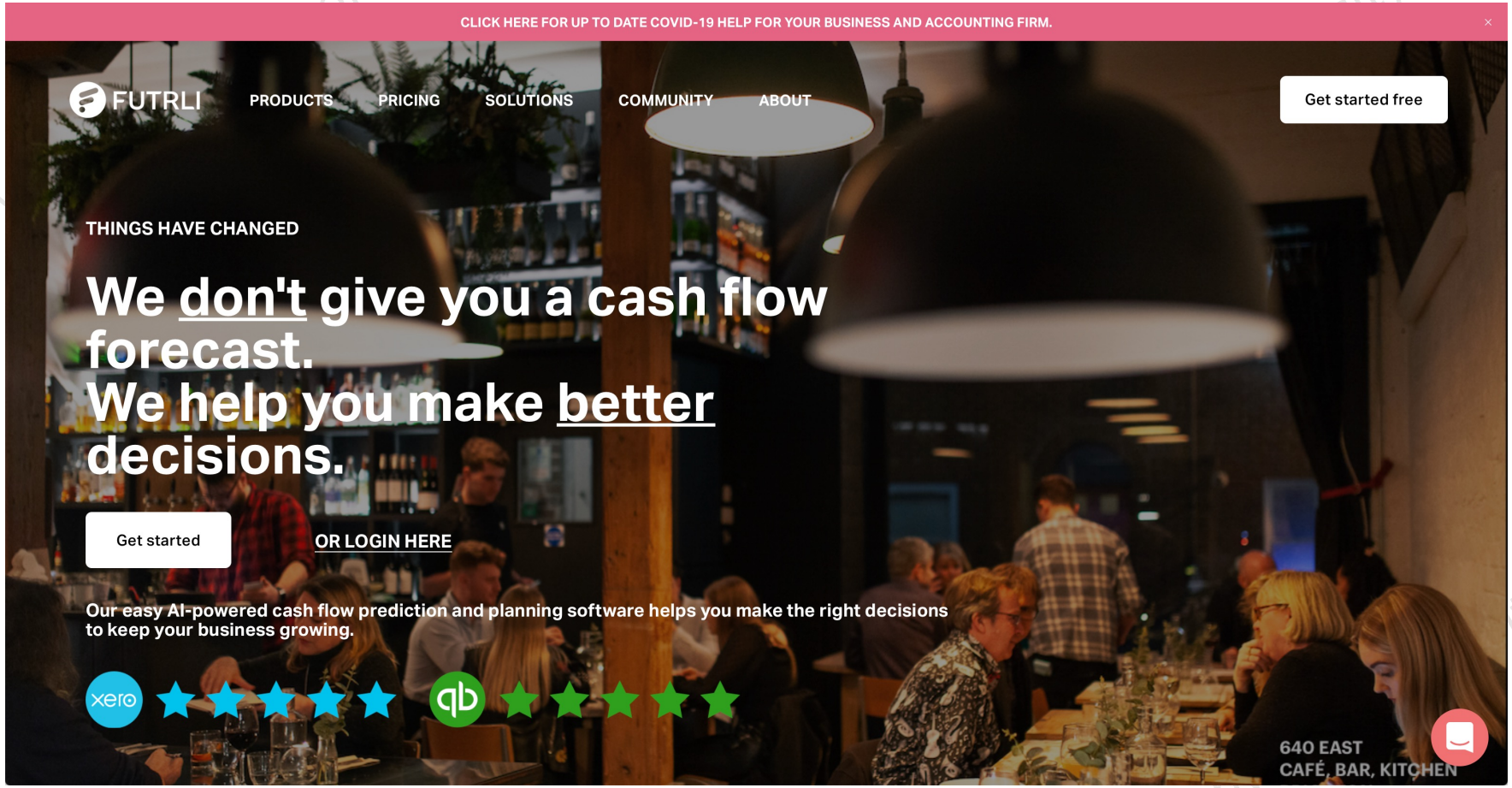

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What are they used for?

- Risk analysis
- Forecasting
- Detecting unusual patterns of transactions or anomalies

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1C – Tech in accounting

Blockchain and cryptocurrencies

What does the ATO say?

- Cryptocurrencies are NOT money or foreign currency
- Should be treated as ASSETS – property
- What about buying/selling using cryptocurrencies?
  - Convert to real money or use it to buy goods or services = Disposing of the asset
    - Your business is buying & selling cryptocurrencies – profit is part of regular income
    - Investing as a separate activity – capital gains

https://www.ato.gov.au/General/Gen/Tax-treatment-of-crypto-currencies-in-Australia---specifically-bitcoin/

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What about audits for crypto?

- The theory is blockchain for storing cryptocurrency transactions (or any transactions) should be secure

- PwC has a blockchain auditing service
- https://www.finder.com.au/accounting-giant-pwc-announces-blockchain-auditing-service
- EY has a blockchain consulting service
- https://www.ey.com/en_gl/news/2019/04/multimillion-dollar-investment-in-ey-blockchain-analyzer-delivers-new-upgrades-for-blockchain-and-cryptocurrency-audit-and-tax-services

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Who sets up the governance over blockchain?

- Satoshi Nakamoto
  - Who?

- Distributed storage of information
  - Which country's laws does the blockchain have to comply with? If any?

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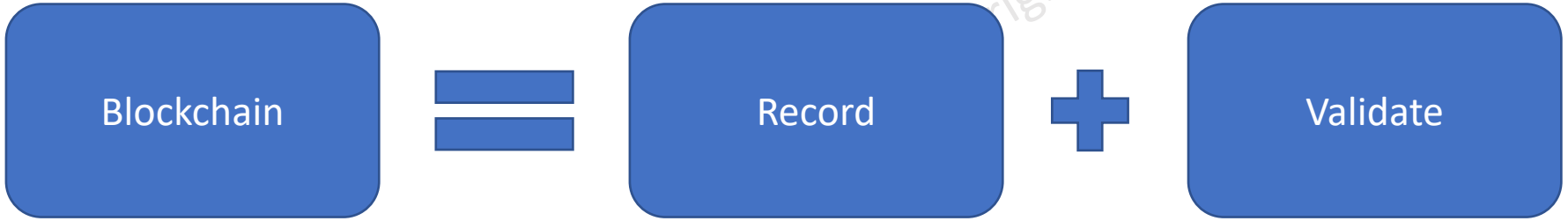
What is blockchain supposed to do?



- What is the role of accounting and audit?

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Auditing/assurance over the blockchain

- Do we need it?
- How would it work? Would we still use assertions?
- Could the blockchain be corrupted? Does it need a disaster recovery plan?
- Check out the AICPA guide to blockchain and audit for more information (in your Class Notebook)

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Would audits ever disappear?

- Will all information be stored on the blockchain?
  - Transactions between clients and other parties
  - Internal information? (Private blockchains)
- How do you get information from blockchains & aggregate it for reporting?
  - What assertion is likely to be an issue?

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Audit evidence

- Remember our ASA _____
  - Relevant
  - Reliable
  - Sufficient
  - Appropriate

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Other considerations

- Blockchains consume significant amounts of energy
  - https://www.cnbc.com/2018/02/23/bitcoin-blockchain-consumes-a-lot-of-energy-engineers-changing-that.html
- Laws around blockchains are hazy
  - http://www.businessinsider.com/blockchain-cryptocurrency-regulations-us-global-2017-10/?r=AU&IR=T
- And may contain links to illegal materials – “poisoning” the blockchain
  - http://www.abc.net.au/news/2018-03-21/bitcoins-blockchain-has-been-linked-to-child-pornography/9571384
  -

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2A – Technology in audit

Existing technology

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Key Benefits

Improve the overall quality of the audit

The analysis results focus on areas of higher risk, so that you can target your audit effort on areas of importance. This means you can provide your client with a faster, more thorough audit.

Easy to use and learn analysis tool for every engagement

Testing is automated and part of the audit workflow. This allows you to integrate insightful analysis for every audit engagement, with minimal staff training and effort.

AI reduces time spent on transaction analysis

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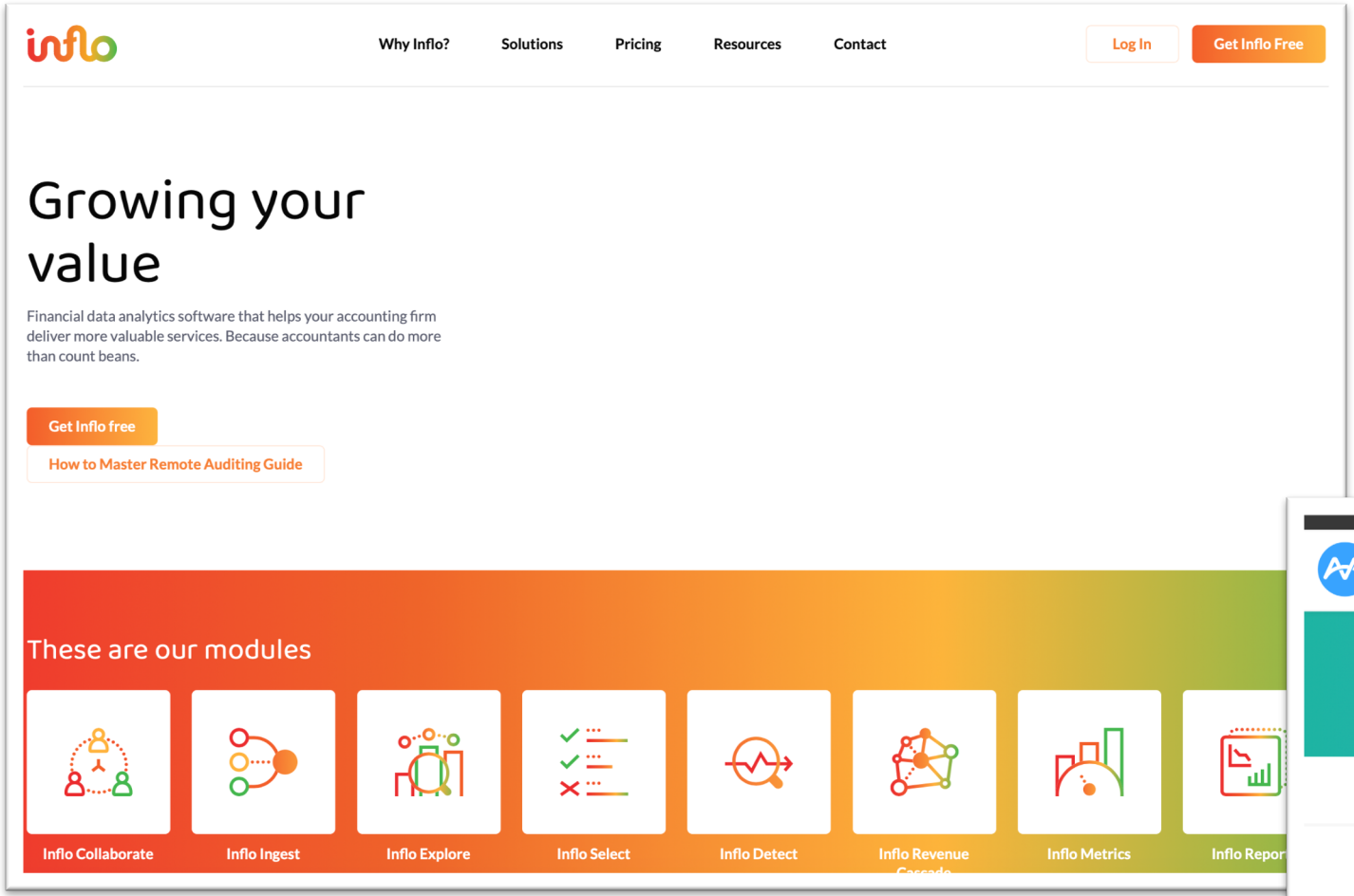
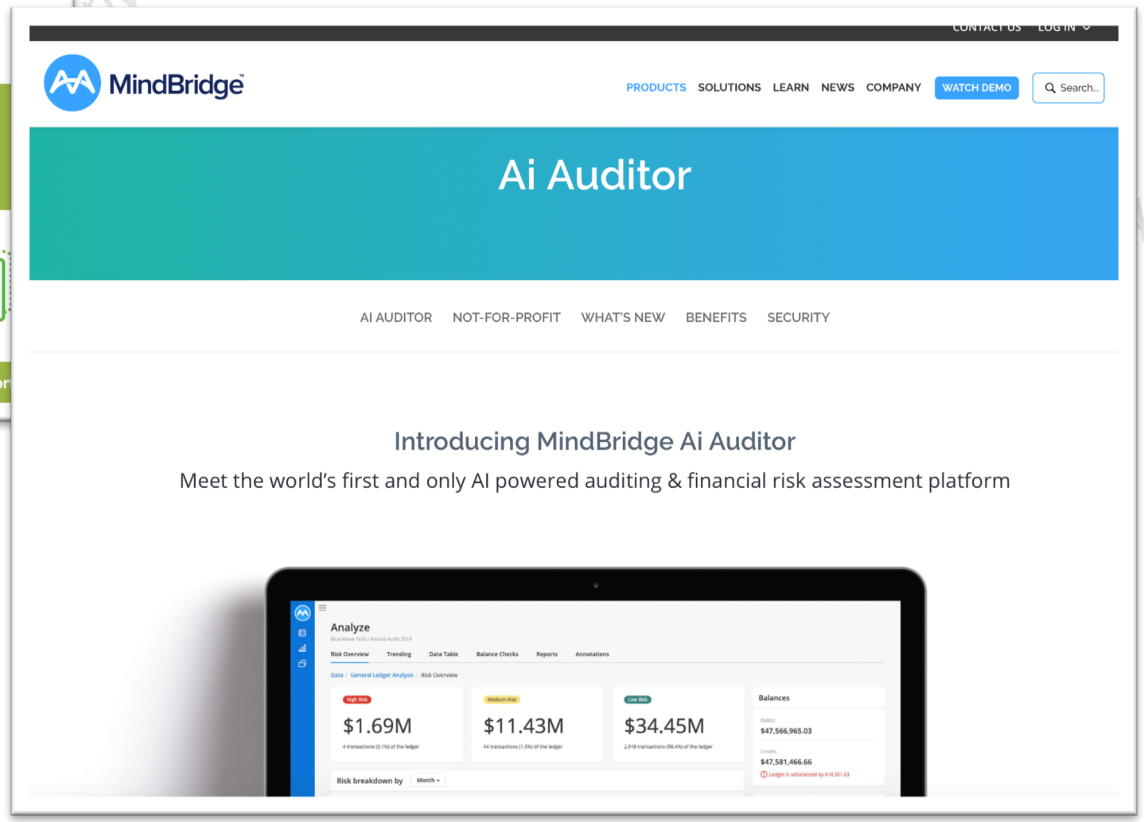
2B – Technology in audit

Big data / data analytics





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Software options

- Power BI (part of Microsoft)
- Excel
- Tableau
- Alteryx
- Python

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2C – Technology in audit

Drones? Conducting audits remotely?

Drones in audit

- Read the articles in your Class Notebook ☺

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Conducting audits remotely

- Are there any additional inherent or control risks that arise from companies working remotely?
- Client staff working from home – are controls appropriate?

- Gathering evidence from the client
  - Interviews
  - Documentation
- Evidence must still meet ASA500

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To sum up

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