AUDITING THE BIG PICTURE

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CPA CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

Agenda

1. **Falling into the "Trap"**
   - Are checklists your best friends?

2. Avoiding the pitfalls
   - Dynamic Risk Assessments & Effective Scoping

3. Evolved Approaches and Emerging Tools and Techniques
   - How can you best tackle your Big Picture?

It's a trap!

Audits can no longer be a simple checklist exercise

Doing the same thing you did last year, and the year before, gives you a false sense of security that leaves you vulnerable to evolving risks

➘ **Rote exercises are rarely a source of value-added audits**

- Get out of your comfort zone
  - Do more than re-perform repetitive compliance-centric audits
- Balance "what's required" with anticipated needs
  - Finance-centric audits have their place, but don't ignore the rest of the business
- Looking at last year's file is the ultimate trap
  - Just because it worked last year, doesn't mean it'll work this year, since risks keep changing

Where's the value-add?

Does your client appreciate the fact that there are fourteen signoffs on your audit closure form? How does that help them improve the business?

Take that checklist, and **revise it**!

Challenge how audits are planned and delivered to stay relevant: focusing on **fundamental audit principles** will help you get there.

A checklist helps you ensure a core set of steps is followed

- It must be updated regularly
- Users must understand the purpose of its steps
- If most fields are being marked, "N/A," it's a sign that your checklist is no longer relevant

Rethink your audit plan

Are you taking care of the basics: providing risk-based and objective assurance?

"We'll accomplish the next 5 year plan in 3 years!"

- Creating inflexible 3 to 5 year plans can overlook emerging risks
- Your stakeholders will likely evolve and change during this span of time.
- Ensure your plans, regardless of the horizon, are flexible enough to accommodate emerging risks, while providing enough structure to allow for long-term planning with the right complement of resources
  - It's easier to borrow specialists from across your organization when needed when you're considered a trusted advisor

Escape the Ivory Tower of Audit

Audit can't operate in isolation. Business partnering with your clients is important. Are you your client's trusted advisor?

Strong partnering: a relationship where the team feels like you're an important player in the success of a project or program.

- It's more than having checkpoint meetings during each audit stages.

- Being looked upon as a trusted advisor and not a 'necessary evil.'

- You know Partnering is working well when you're fielding calls for help more often than you're reaching out to start performing audits
    - Strong relationships lead to better information sharing between your team and those of the clients you serve
    - You all benefit from having a more robust grasp of the Big Picture

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Keeping Risk Assessments Fresh

How often do you perform your risk assessments?

Do you update them at mid-year?

Do you revise them at all?

The rest of the business will have most of the answers

- Collect information from clients: what keeps them up at night
- Stay abreast of emerging risks and developments in the marketplace to be able to brief your client
- Coordinate presentation of risk models with your in-house Enterprise Risk group to ensure your definitions and terminology are consistent

It's all about the scope

Having secured buy-in with executives, ensure Line of Business managers also understand the logic supporting your audit engagement.

Considerations:
- Determine which business units need to be involved in scoping exercises
- A unit that has never been audited may be especially wary of your presence
- Teams subject to many audits may suffer "audit fatigue", **coordinate accordingly**

Getting the right mix of skills

Improve your audit function by ensuring your skillset addresses your broad range of key risks, not just financial concerns

A little encouragement goes a long way

- Encourage them to learn about emerging technologies and techniques
- Seek out a balanced team that has a diversity of perspectives and experiences
- Limiting your team to financial auditors may be self-defeating
- Leverage or create rotations to capture your organization's range of talents
- Build relationships across the organization at all levels

Key considerations for success

Whether you're reviewing in-house systems or outsourced processes, there are ways to make your life easier

Read The Fabulous Manual

- Find all Work Instructions and Design Documents you can in advance of client meetings to familiarize yourself with the system you're assessing.

- You'll rarely know more than the client, but showing you've done your homework goes a long way.

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Visual analytics: from reporting to insights

A thorough discussion of analytics would require a full session of its own

Considerations for running an effective analytics function

- The visual impact of a good graphic conveys a significant finding in a visceral manner which gets lost in a wall of text

Considerations for performing analytics

- Ensure you can obtain a full copy of your data set
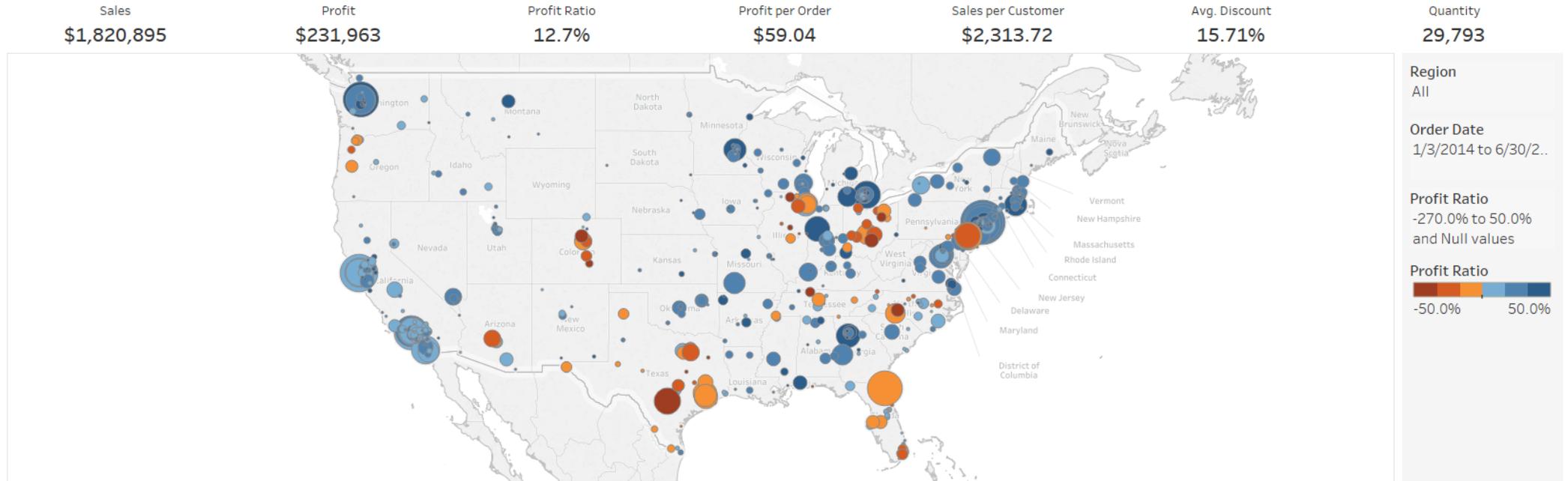- Learn how to identify whether your data is structured or unstructured

Ensure you have quality data

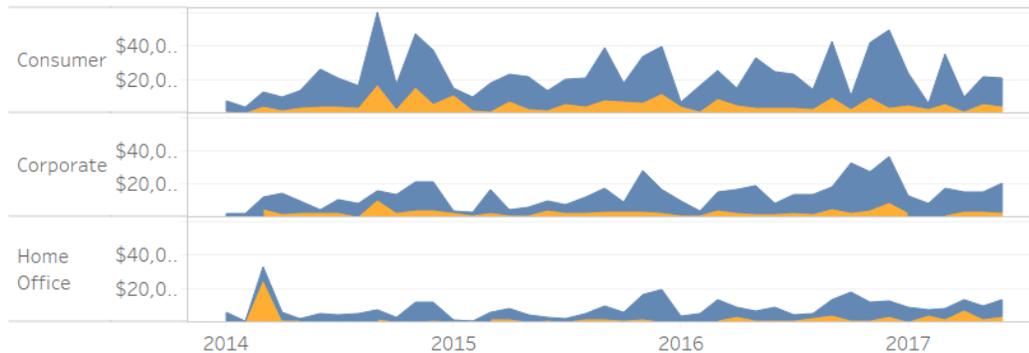Valuable assets with incorrect default GPS coordinates
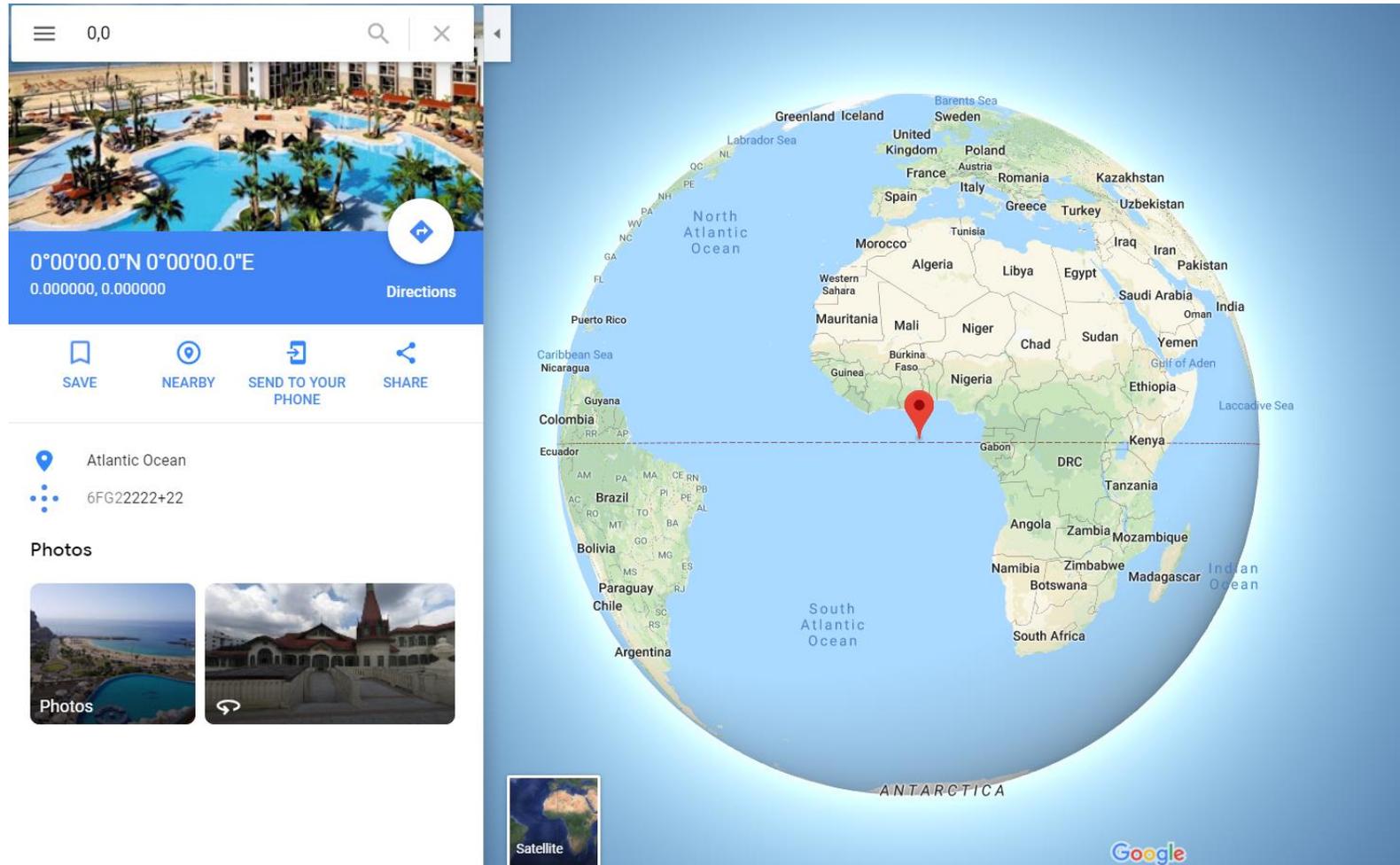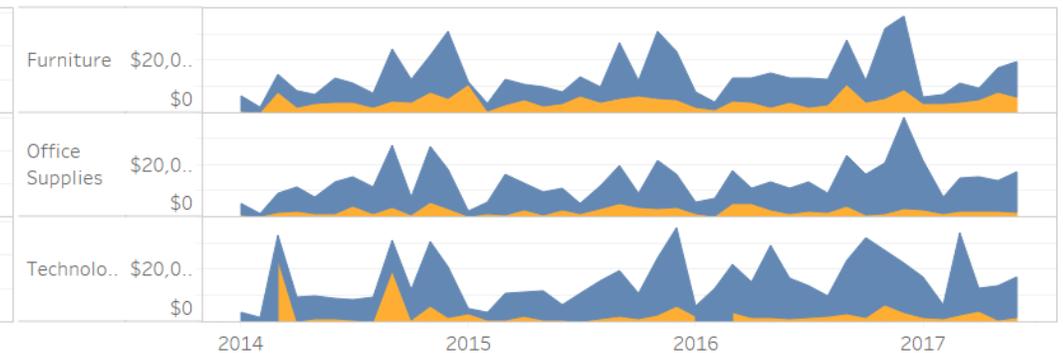
Visual Analytics: The outliers come to you

Source: Tableau demo data

Special cases: system implementation

Implementation of new systems or conversion projects

Common risks and preparation ideas

- Ensure users are adequately trained on a new system before the "go live" date
- Hoping they will "learn it as they go" is a recipe for disaster
- Do not take the project team's word for it: assess users directly
- Assess the state of your data
- When moving to a new system, determine if the conversion has been well planned.
- A data conversion audit can help flag potential problems before go-live, and will give the business peace of mind if it has been performed effectively