



Auditor Oversight Body AOB  
at the Federal Office for  
Economic Affairs and Export Control



# Audits in a Digitized World

## 10. EARNet Syposium

### **AOB**

Independent. Preventive. Proactive.  
In the Public Interest.

### **CEAOB**

Cooperation. Communication. Interconnectivity. Monitoring.

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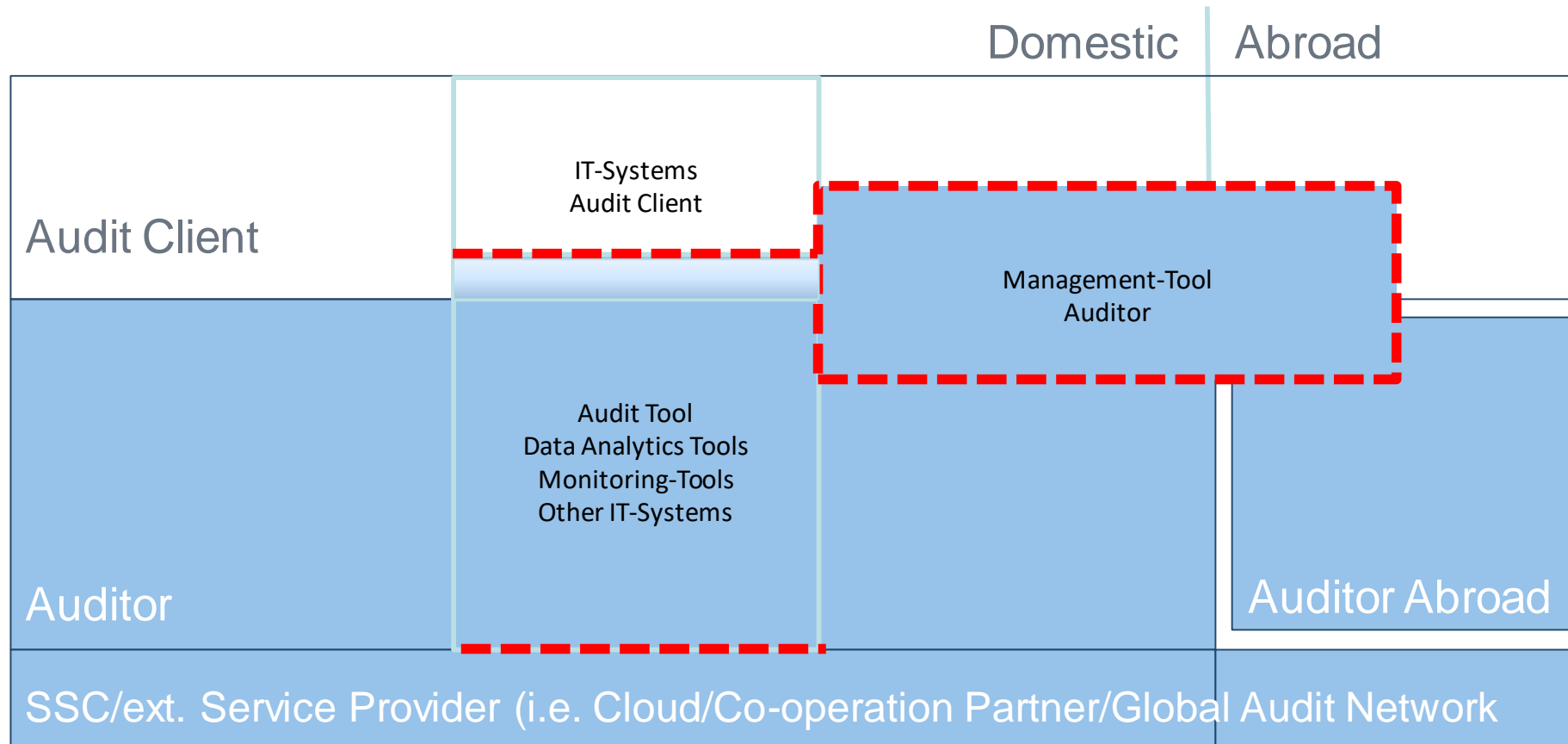


## Disclaimer

The views expressed are those of the speaker only and do not necessarily represent the views or positions of the Auditor Oversight Body Germany or the CEAOB and its staff or members respectively.



## Areas of Digitisation in the Financial Reporting and Financial Audit Ecosystem





## Why Digitization in the Audit?

### **Economic need (capability of the business model)**

- International client vs. global audit networks
  - delivery of a competitive service as such
- „To keep pace“ with digitization at the (potential) client
  - Industry 4.0 – Internet 4.0 – Finance Function 4.0
  - simply to keep competitiveness

### **Probable increase of audit quality**

- Extended audit scope (partial „100% audit“)
- Real-Time audit/„Continuous Audit“
- „Tailor-made“, risk-oriented audit
- Higher level of assurance
- Visualization – deeper and more relevant results
- Lower error rate – relief of repetitive tasks → more time for the real important things

### **BUT debatable:**

- Higher efficiency? (more analyses-more outlier, high (first) implementation efforts and costs)
- Reduction of audit costs (man-days, computer capacities, memory capacities, costs of IT security, return on investment) → advantages to share with the client?



## How is Digitization Used in the Audit?

### **Audit Tools - serve their purpose (support, review, safety against manipulation, documentation, archiving etc.)**

- Overall good quality
- Support of the „Audit Flow“ based on audit standards
- Partially intelligent routines

### **Audit management and monitoring tools (incl. involvement of the client into the audit process)**

See above; but more heterogeneous, specifically re/monitoring at any kind of audit portfolio level (network national/regional/global)

### **Data analytics tools**

- Main areas of application
  - Journal Entry Testing/different analytics with different levels, depth and quality, partially very advanced (fraud, risk based audit planning)
  - (Sub-)ledger analysis in the planning phase (compare expected developments and postings with actual ones: risk assessment re/audit areas of focus)
- Less broad, but not only in single cases
  - Process analysis (revenue-cycle with accounts receivables, delivery, payment)
  - Controls testing
  - Substantive audit procedures (analytical)
- Challenging: external audit evidence



## How Advanced is the Digitization in the Audit? (2)

### Outlook

- Room for development re/extent, depth of application
- In the short term the power and usage of these tools have probably been overestimated. In the long term the technology is possibly underestimated (high dynamics)
- Development of artificial intelligence has begun:
  - To read, analyse, compare unstructured data (i.e. in paper based documents to get better external audit evidence)
- Diverse external or internal, self-learning (risk) analysing tools (i.e. utilisation of all publicly available information including privately related data from social networks etc.):
  - Support of audit procedures to detect fraud, corruption etc.
  - Economic and reputational analysis to support client acceptance process
  - External validation of internal data (i.e. development of expectations considering changing underlying data in a changing environment)
  - risk analysis in certain segments/audit areas



# Challenges of Implementation and Use of Digital Analytics Tools

## Data quality of the audit client

- Processes, Internal Control System re/completeness, correctness, integrity, consistency and reliability of data

## Data security on both sides

- Transfer, storage, memory location, access, Cybersecurity, *location of analysis*

## Format and structure of delivered data

- Willingness and capability to deliver the expected data by client (also: cost considerations)

## Availability of the right IT specialists on both sides

- Integration into the core team, cooperation, audit knowledge, profitability

## „Black Box“ issue with globally developed tools

## Reasonable target-oriented use of the tools - considerations

- time, cost, efficiency, quality considerations
- Interpretation of the results and drawing the right conclusions
- Embedding in the audit strategy (internal control environment at the client)
- „Real“ audit evidence
- Conformity with audit standards (new standards necessary?)

## Communication with those charged with governance



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# Thank you for your attention!

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