



# Beyond Traditional Audits: The Implications of Information Technology on Auditing

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## Abstract

This paper examines the manner in which audits would be conducted in the future and how technology has transformed and impacted the business processes of public, private sector entities and various organisations and the guidelines which need to be followed to ensure compliance with applicable laws and regulations. The transparency of financial statements is of paramount interest to shareholders and other significant stakeholders. These necessities that the financial statements are audited to acquire a certain level of confidence over the integrity of numbers and the validity of business rationale which thereby arises a need for auditor to be well equipped with all the tools and system essentials in carrying out an effective and efficient audit. Information Technology can act as an impediment or stimulant towards the achievement of the above discussed objective. Various organizations use automation tools and ERP applications which have become a vital cog in their internal control environment. Understanding by auditor of these automated controls is necessary to ensure that they are well equipped with the requisite skills and have knowledge of all technological tweaks that would be required in the audit process of a complex structured entity. The primary function which can be performed by generalized audit software include customizing data in numerous ways to serve the distinct purpose. The audit teams obtain insights into latest developments and plan their procedures accordingly keeping in view the applicable professional standards.

**Keywords:** Audit Expertise; CAATs; E-Audit; Information Technology; Progressive Audit

## 1. Introduction

Technological advancements and Future oriented IT methodologies have changed the form and nature of audit evidence to a substantial extent. Technology has completely modified the accounting cycle and the internal controls over financial reporting and thereby the auditing processes and methods that the auditor adopts to obtain audit evidence in order to acquire reasonable assurance and accomplish the overall objective in compliance with International Standards on Auditing. With calculator being the major equipment of the auditor and paper information replicating evidence, it was more difficult to ensure the fairness of the financial statements and type of audit report to be used. The audit evidence being the pivotal component of the process of auditing lends assurance to the auditor while carrying out the required procedures on the financial statements and the underlying books of accounts of the entity. The materiality throughout the audit defines the nature and extent of audit evidence that the auditor needs to acquire to obtain reasonable assurance. The materiality factor is backed by an argument that no matter how strong the internal controls over financial reporting of the entity and the extent of audit work executed, there would be

some misstatements that would go undetected even if the audit has been planned and performed effectively and efficiently. The responsibility of an auditor has increased significantly keeping in view the vulnerabilities and ever existing threat of earnings management which could potentially impact the level of transparency that financial statements reflect. Risk assessment is critical to the entire process of audit. Using customized CAATs in the auditing process may help minimize the material deviations in the financial statements but will not be able to completely manage its risks which is crucial to the long term success of the entity in attaining its overall objectives and vision.

Pre-technology audit is characterized by all the information being paper evidence, calculators and without any Information Communication Technology. The probabilities of mistake or error were higher before as one wrong input in the calculator could make the figure calculated to be incorrect and error-prone no matter how hard auditors concentrate and focus.

Future audits would require that relevant information be acquired through online systems and would constitute a paperless exercise. The elimination of manual audit trails is imminent and the need for automated trails and the use of electronic data interchange would be the emerging source of evidence for auditors.

The paper attempts to evaluate the introduction of latest Information Technology and Communication Technology (ICT) methods and techniques have altered or modified the way in which

audits are being carried out and the mechanics thereof. This not only continues to evolve the role of auditor but also forces the regulatory authorities that ensure quality assurance to stay alert to changes and ensure their compliance to enhance the integrity and fairness of auditing process. The paper concludes with depicting what future holds for the auditing profession and the methods and ways that public accountants need to practice in order to use the technology in its best possible manner to achieve the objectives while following the prescribed *International Standards on Auditing*.

## 2. Audit Planning

The use of IT could make it easier to realize the benefits of effective planning in the later phase of audit where extensive procedures are carried out and help smooth execution of the entire process. Public accounting firms have in the past demonstrated the importance of expert systems in the development of audit plan time and again. The fact that all the big 4 firms use planning related expert system in the risk assessment phase, evaluation of control environment and development of plan further highlights the significance of integrating automated tools in planning and allocating the resources accordingly to mitigate the significant risks involved in the audits and reduce the work required to be performed as less reliance is placed on the substantive procedures (provided the controls are operating effectively) and extensive control testing is carried out. No matter how well the expert systems are developed and equipped with a pool of knowledge gained throughout the time period, the importance of the auditor's judgment and experience acquired through involvement in various engagements cannot be undermined and the fact that the expert systems are at times difficult to be customized to the nature of the client and the business process involved therein further highlights the importance of pool of expertise involved in the audit engagement team. The auditor's experience comes from the conduct of the audit of entities of diversified nature and understanding of complexities of the client's ERP system. The public accounting firms need to build a system of pooling these experiences acquired and build a database which can be adhered to address an issue that may arise for the future audits. Such database can be embedded in an expert system for facilitating the auditor and creating a cloud of information that could very well prove to be an intangible asset for the public accounting firm and be critical while planning the audits. [1]

## 3. Empirical Analysis

The research was restricted to a narrow aspects of the differences in the way functions were performed prior to the introduction of specialized audit software and post-implementation thereof and the effects on productivity and the modification of audit procedures accordingly. The results were quite predictable with the research highlighting the benefits that have accompanied the advent of specialized audit software and how it has reduced the elements of monotonous calculations, allowed the professional staff to focus more on the analytical attributes of their work, helped to ensure the compliance with relevant legal and regulatory legislations more effectively, facilitated the provision of quality client services and its contribution to time saving. The common point evident in the was the ease of retrieval of work papers with the help of using various tools. The ability to jump from one link to the back of it without having to search for files or data have made it easier to document quality electronic evidence and have made life easier for the personnel who have been assigned the review work to ensure that the audit procedures actually cover the risks involved. Another important idea was how the use of well-defined formulas have eliminated the need of calculator which could be demanding, tedious and time-consuming exercise. However, all the evidence emphasized on the fact that embracing

the specialized audit software and unlearning the old knowledge took significant amount of time to become familiar with it and to use it purposefully to achieve the assigned objectives. [2]

## 4. Cross Training of Audit Team

This work highlighted the importance of cross training of an audit team to be equipped with the skills that are necessary to deliver quality client services. Just like in any business profession, employees need to be well trained in their functions and be familiar with the systems installed in the client environment. The cross training contributes to the creation of depth of skills in the audit engagement team. Training and development programs to sharpen the skills of the members provide various advantages to the public accounting firms as regards to having a pool of professionals who can be involved in audits of various industries and head of accounts. Keeping in view the technological revolution at large scale, various top-tier firms have developed to determine the areas that employees are lacking and which need to be targeted in the employee training program to make them well aware of the IT facets of the environment of clients. IS audit experts can also be involved in the program to share their experiences of information systems and put forward the scenarios and the methods of dealing with problems that may arise during the use of client systems. E-learning (electronic learning or online learning) concepts has also facilitated the wide dissemination of knowledge to staff located at different geographical regions by accessing the course online throughout internet. Cross training can prove beneficial because the staff is now equipped with variety of tasks that adds depth to his or her skills set and expands the areas of expertise they hold. This not only allows firms to have individuals with diversified skills but also facilitates the career development of staff which could motivate them to work effectively and efficiently. [3]

## 5. Impact of IT on the Role of Auditor

The role of auditor has changed to a substantial extent courtesy sophisticated accounting software and modernized integrated financial systems. The understanding of numerous software that the entity uses has become essential in carrying out an effective and efficient audit. The pool of skills that the audit team executing the audit engagement possess helps in delivering the quality deliverables and thereby accomplish the primary objectives of accountancy and audit firms i.e. providing exceptional services to client. In today's technological era, the need to exercise professional skepticism has also increased and the audit evidence needs to be thoroughly examined with increased due diligence keeping in view relevant experience of the area subject to procedures.

While it may make the entire process of audit relatively easier, it could well be paradoxical for the auditor at the same time considering the electronic environment and the complexity of the process used to generate records that are the subject matter of the audit. For instance, if any entity uses SAP for managing their operations and business and storing their databases, understanding of the software would be of primary importance and the very first stage in order to analyze the nature and content of the information. Further, the glitches or bugs of the software would hinder the smooth running and the resolution of the same would require additional time and the need for a software expert. In the view of the same, the composition of the audit engagement team may also require an IT expert as a support staff who might well have a complete grip on the running of it and with the ability to resolve any problems that may arise during the audits. Normally, the audit firms have IT specialists who carry out the IT audits and are part of the audit team as and when required.

Technology has molded the role of an auditor in many ways. The use of communications technology has resulted in lack of face to face interaction between the client and the staff of the audit team. On one hand, there exists an advantage of fast communication and on the other hand the risk of authenticity of source and the content has become a problem because it is often difficult to establish the source from whom the intended message has been received.

Considering the advancements in Information Technology, use of interegration financial systems and ERP applications, International bodies responsible for ensuring that rules and standards take into account the progress, in the discipline of IT have issued various guidelines in this regard to highlight its importance and provide due guidance concerning acceptable forms of e-evidence. These applications software provide automation, eliminate extensive manual work and facilitate processing accuracy but no matter how well developed and programmed, these programs may contain loopholes which may be exploited by logical access perpetrators giving rise to significant threats to confidentiality of client's information and the systems. The auditor's role in this regard is significant and in order to ensure that the application systems installed achieve their purpose and operate as intended, walkthroughs can be performed to ensure the operating effectiveness before extensive control testing is carried out and to determine the nature, timing and extent of procedures that need to be considered as a part of audit program. [4]

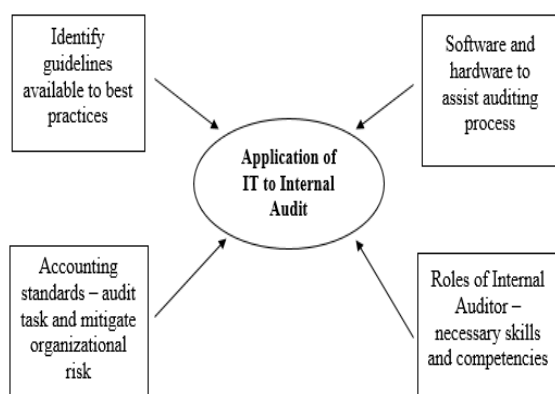


Figure 1. Research Framework

## 6. Offshoring and Quality of Audits

Enunciated that 'Offshoring' is fast growing phenomenon where public accounting firms are continuously seeking profit making opportunities and aim to reduce costs by assigning personnel located in another country to perform different assignments. This skilled pool of labour can be hired at lower costs than their global counterparts. In many instances, substantial work is conducted overseas. However, the extent is still restricted to procedures requiring little exercise of judgement for example, extraction of data of large scale entity or preparation of confirmations of hundred of bank accounts to ensure their existence. While there are positives to the offshoring of audit functions, the negative implications cannot be ignored completely. While the extent remains small, the offshoring audit function seems to be growing gradually and audit firms are gradually realizing its importance in terms of developing their global cost strategy. Another significant facet of offshoring audit function is whether the quality of audit services can be sustained and the focus is not merely on reducing the pressure on audit fees. [5]

The survey has been conducted in which participants who were familiar with offshoring and those who were less knowledgeable were asked about their perception of whether the conduct of audit procedures by personnel located in another country could reduce the quality of audit services. Regulators who ensure compliance

with the reporting standards who also have to face the complexities to evaluate whether the work performed by the overseas auditors actually cover the risks involved in the audit engagements and the opinion expressed is reasonably backed up by the quality work program and warrant its expression. Offshoring of independent audit function would become a vital part of audits in the next 10 years as familiarity with the concept grows.[6]

## 7. Response of Audit Firms to Improving Information Technology

Research determined that the relatively smaller practices tend to allocate approximate 3% of their revenue on trying to get new technology, setting up infrastructure and arranging for programs for their staff for their tech-skills developments and enabling them to equipped with the latest know-how and awareness to be able to perform their functions in an audit team much more effectively and efficiently. [7] The impact of IT on different hierarchical levels of a public accounting firm in provision of audit services and analyzed how the work demands of each level has been modified and the effect thereof has not only been restricted to a particular level of hierarchy in public accounting firms but to each and every individual involved in the process of auditing. At the most junior level, where tasks are generally repetitive and include less structural variations, may well be easily automated and reduce the time spent on the procedures and provide renewed impetus to a junior staff member of the audit engagement team to spend more time on analytical computations. At senior level, the most of the activities are concentrated on audit plan development and methodologies to supervise the work and review it to ensure the qualitative facet of the exercise. At managerial levels, the improvement in presentation of information involving significant risks was much appreciated. According to a survey of 260 audit managers, research highlighted that managers tend to think that using IT systems to present information in a structured manner may be more helping than the traditional methods of organizing client data. The ever increasing need to look beyond the manual processes and exercise has made it imperative for public accounting firms to spend on technology in order to obtain competitive advantage in the market by providing sharp and cutting audit services which would differentiate it from other accounting firms and would help to develop qualitative attributes that ensure that financial statements comply with applicable reporting standards and can be relied upon by stakeholders to make decisions of their interest. [8]

## 8. Threats and Opportunities for Audit Functions

The more the concept of real-time accounting and focus on value of information is growing, there is continually increasing threat to the audit function. The continuous monitoring of the information systems and installation of programs to make real-time adjustments within no time may minimize the role of auditor to a certain extent. The automated controls which require little or no manual intervention and are in full compliance with the requirements and operating effectively may restrict or change the function of an auditor. Real-time assurance services also provide opportunities for public accounting firms to develop systems possessing artificial intelligence which is regarded as the future of the workplace. The evolution of technology and methods is inevitable and the business processes are also getting transformed as a result. The need to keep with the pace of technology is of paramount significance for clients and the audit professionals. This can be viewed as an opportunity to learn new ways of doing things and creating a pool of resources with skills and abilities to

adjust to any particular client scenario and deal with it effectively and efficiently. [9]

## 9. Perils of Electronic Evidence

The nature of threats to the entity's IT environment and the information systems have changed over the past 20 years. The basic principle is that any kind of information that is acquired from the client as subject matter of audits has certain value. Such information may possibly be acquired by individuals by hacking into the information systems and gaining access thereto and may be used for malicious purposes and the possibility of competitor gaining access to valuable information cannot be taken out of possibilities. Further, the information that the auditors acquire is stored in their systems and the lack of security firewalls and protection software may cause the data be susceptible to theft by logical access perpetrators. The security of sensitive information is significant in today's globally dynamic environment. The main advancements that have become a part of today's workplace include high quality printers, scanners, excessive use of electronic-mail, specialized software and digital signatures. These have made things easier for the profession but at the same time, the risk of fraud and forgery has increased to greater proportions. They are discussed below in detail. [10]

### 9.1 High Quality Printers and Scanners

The advent of high quality printers have made it possible to publish documents with prolific clarity and increased accuracy. This has made the authenticity of evidence questionable and thereby quality of audit evidence may have deteriorated to a certain extent. Keeping this in view, auditor needs to exercise due diligence and remain alert to the possibility of any fraud or existence of fake documents. For this very aspect, *International Standards on Auditing* recommend the auditor to exercise professional skepticism and professional judgement. [11] Scanners likewise have made the document storage extremely convenient and easy. It is easy to retain all the evidential matter in your expandable HDD than to maintain the hard copies of the same considering the space required to store the files and time factor involved. Scanners helped to create a replica of a manual document which can be kept on storage device. However, the editing tools and programs which can modify/edit a document can prove to be a threat to transparency and it becomes extremely difficult to create a difference between genuine and forged document.

### 9.2 Bank Confirmations

The primary objective of a bank confirmation is to obtain assurance over the existence assertion of a bank balance of an audit client and constitute a common audit procedure. Take an example of Bank confirmations; the significant risk for an auditor is that the confirmations may not have been received from intended source or the source may not have been authorized to respond to it or the response is fake. The progress of technology and development of programs has made it possible to edit logos, signatures and make the confirmations look genuine and authentic. [12]

### 9.3 Paramalat Fraud Case

Consider, for example, the paramalat fraud case. The public accounting firm carrying out the audit sent a bank confirmation to ensure the existence of the bank balance to the Bank of America and accordingly received a response thereto. Upon verification, it was revealed that the evidence received was actually a forged document. A fake document was used by Paramalat staff to replicate it as actual bank confirmation. The sum involved to be verified amounted to be \$ 4.9 billion. In certain cases, the evidence cannot be relied on and need to be cross examined

through performance of alternative procedures. This reflects the most significant peril of advanced modern day technology. However, with due diligence and reasonable care, such instances can be avoided and transparency can be ensured through other means. [13]

### 9.4 Excessive Use of Electronic-Mail

Employees in organizations are provided dedicated email address for internal and external communication to handle the day to day operations of the business. E-mails have reduced the other forms of interaction with the client and increased the extent of digital evidence. E-mails have eliminated the traditional audit procedure of comparing the city in the postmark on the envelope to the city of the addressee whenever a confirmation response was received by the auditor. Although the procedure was less effective, it was removed in its entirety by the introduction of e-mail. The process needs to be automated to ensure that confirmations are validated through proper manner as recommended by AICPA. [14]

### 9.5 Digital Signatures

Business that have web presence and conduct their majority of the business online commonly use digital signatures for the agreements and contracts required to execute the economic transactions. With the development of software technology and editing tools, it has become easier to forge signatures and create fictitious documents and make them look genuine enabling a significant risk for auditor and requiring increased due diligence and professional skepticism. This can make the management susceptible to financial risk or loss in case of discovery of such forgery by the regulatory authorities and thereby possible damage may occur to reputation and goodwill of the entity that is developed after years of delivery of quality services that are much appreciated by customers. [15]

In this context, the role of auditor is epitomized by the expectation that all the vulnerabilities and exposure to risk would be properly addressed and the weakness in the internal controls over financial reporting would be identified. A strong control over authentication of digital signature would minimize the risk of forgery and ensure that all web transactions are secured through various encryption techniques and other methods. [16] The most common application of digital signatures is its use in e-commerce as protection. It does only ensure that the message is from the intended source but also affirms that it has not been altered in the process. Digital signatures are key component of today's online startups.

### 9.6 Specialized and Complex Applications

The advent of specialized software and application for addressing a specific component of the control environment to make the process simpler and for effective operation has made it easier to account for economic activities. However, the existence of loop holes and drawbacks of the software and lack of strong controls may make it possible to initiate unauthorized transactions and perpetrate fraud. The staff also needs to be trained to be able to execute the software. However, the understanding of the same may take some time and it would be a costly exercise. [17]

In Pre-technology era, for auditors to identify a specific transaction, they needed to identify the date on which the transaction would have been entered and trace the journal manually to ensure that the transaction was recorded correctly according to the nature thereof. However, this would take a reasonable amount of time to be able to detect the required transaction. The advancement of software technology has made it possible to inquire about any transaction in no time. The response to query time is significantly reduced and retrieval has become much easier since a transaction can now be search with dates, description, category, and amount and risk profile.

## 10. Automated Evaluation Techniques and Leading CAATS

Over the years, different types of application programs have been developed for example in the areas of simulation of internal controls systems, to generate questions to elicit internal control weaknesses, to allow description of an internal control system and questioning the state of the internal control system, and to represent complex interrelationships that sometimes exist between internal controls so system vulnerabilities can be assessed. Whenever, software is used as a source of acquiring evidence, the level of control that can be exercised by a party is essential. The higher the extent of control by one party over the software, the greater the risk that is involved on the information that the auditor would obtain for their evaluation. Different types of software are available that are industry-specific and operate in a specific business environment. Other off-the-shelf software also exist which provides a means to the auditor to manipulate data according to specific criteria and obtain evidence through the applications. Automated evaluation techniques have been used by the auditors to facilitate the process and improving productivity in conducting the audit. Some of the leading CAATs used widely are briefly mentioned. [18]

### 10.1 Embedded Audit Module

A widely used CAAT which is appended to the client's ERP or system which allows the auditor to monitor real-time processing of a transaction and continually make adjustments to ensure that it performs according to the user requirements as laid down in its requirement definition stage. Such codes are useful when carrying out substantial amount of processing through the system. It helps to improve the value of information as it is real time. It allows for easier selection of audit samples. An embedded audit module tends to reduce the time taken by audit cycle and improves the quality of audit. However, the code must be properly secured to ensure that it is not altered and is operating as intended. [19]

### 10.2 Automated Transaction logging

In other words keeping track of the activities that occur in the business environment, information systems or the transaction processing software. This involves maintaining audit trails that help auditors other than as defined. It helps to retain a record of all day to day activities and helps to identify problem areas to trace any particular event or activity that appears to be suspicious or seems to be operating in a way and facilitates their resolution through providing details thereof and pin-points the positions in the automated program that need corrective measures. [20]

Further analyzed the benefits that auditor could realize through reviewing the transaction tagged to ascertain the controls are operating as intended. This has fuelled the growth of the concept of continuous and real time auditing which is widely considered by experts to be the future of the auditing profession. CAATs are the tools that assist the auditor in reducing the time involved in petty and clerical issues and improve productivity by eliminating the manual extensive exercises and automating the process resulting in significant reduction of costs and time and enhancing the value aspects of the audit cycle. [21]

### 10.3 Exception Reporting

This tool operates through pre-specified set of criteria for the system laid down. It filters out information according to the needs and requirement of the auditor: The criteria are set out while keeping the objective in mind and how the information that would be extracted would be useful and the ways in which it would serve the purpose. [22]

## 10.4 Automated Evaluation Techniques

- *Integrated Test Facilities:* An artificial set of data is integrated in to the application/program to ensure that the processed output carries the attributes such as accuracy, completeness and consistency.
- *Snapshot:* This calls for keeping track of real time audit trails of processing of a transaction. This technique gives a pictorial view of flow and is similar in certain aspects to data flow diagrams.

## 11. Application of CAATs in Banks

The development of industry-specific CAATs have assisted in escalating the quality of services that can be offered as these tools are well embedded with the rules and regulations pertaining to the industry and accordingly design the format of work papers to remove any erroneous calculations that may occur during the audit. [11]

Particular areas which can be performed during the audit using the CAATs in a bank include markup earned on loans and advances provided, interest paid on deposits of customer held by the bank, investment which is one of the primary profit generating activities, examination of substantial value transactions in cash credit accounts, accounts which have no movement and have gone dormant over the period of time, speculative treasury activities which are now considered important as the old concept of retaining the treasury function as cost center has been eradicated by dynamic investment environment and profit making opportunities that exist in the market today. The need for real time information is of greater significance for the bank which is geared towards investments in equity and technology could very well facilitate their cause by providing timely information to be used in the trading activities. The role of CAATs in this regards becomes rather important as different complex transactions that occur in the branches can be easily covered using automated criteria to ensure that the authorized limits are not exceeded and the individual authorized to approve the transaction actually sanctioned it. CAATs can also ensure that the standard operating procedures in carrying out a banking transaction in a particular course of business is being followed and the information systems installed by the Client's IS department is capable of reporting any exception when there is any deviation in the procedures laid out in the manual. The testing of such processes can be facilitated by CAATs to ensure transparency and ensure that the economic events underlying the financial statements give a true and fair view.[18]

## 12. Contribution of CAATs In Various Facets

The potential benefits of using CAATs can be briefly summarized in various aspects as below.

### 12.1 Greater Productivity

- The audit cycle is significantly reduced
- Automated repetitive tasks reduces the time required for audits and fatigues while maximizing efficiency and effectiveness
- Focused time on critical functions of the audit
- Simplified project documentation due to automation and ease of access of documents
- Brings improvements in the audit planning process

### 12.2 Value Addition

- Providing timely results and distinctive customer services
- Recuperating lost revenue
- Quantifying impact of given conditions

- Offering creative and detailed analysis

### 12.3 Reducing Costs

- Costs incurred on EDP are minimized to a large extent
- Minimizing software maintenance costs
- Reducing travel costs
- Provides higher tier of management with more strategic thinking time

### 12.4 Improved Quality of Audit

- Audit 100% of data files. CAATs can analyze entire data for audit period and report thereon
- Audit methodologies are standardized
- Verification of audit procedures
- Integrity of analyze is maintained throughout the process

### 12.5 Reduced Audit Delivery Time

- Minimize wait-time required for acquiring client information
- Accelerate the identification of exceptions and immediate resolution thereof.
- Simplify the preparation of working papers
- Automation of the entire analysis and report generation facilities

### 12.6 Corporate Benefits

- Reduce today's risk forced by large corporates
- Prepare for tomorrow's risk and anticipate procedures to be performed to mitigate it
- Recover audit investment by reducing audit cycle time and improving the quality of audits
- Attempts to bring efficiency and effectiveness

### 12.7 Personal Benefits to Auditor

- More independence in exercising discretion in matters
- Renewed focus on audit
- Elimination of repetitive tasks and strategically geared functions
- Greater creativity and learning opportunities
- Personal and professional development

### 12.8 Audit Benefits

- Exception reporting
- Control analysis
- Immediate results
- Easy to use and understandability

## 13. Transformation of Audit Documentation

*International Standard on Auditing ISA 230* requires adequate documentation by the auditor to warrant an expression of opinion on the financial statements. Documentation forms an integral part of the audit as it indicates the evidence obtained in the normal course that underlies the opinion furnished. It requires that the results of the exercise performed by the audit team be documented in an effective manner so that it can perform a supportive function for the auditor. Technology has completely changed the way audit documentation is prepared and maintained with public accounting firms using software modules to facilitate documentation to enhance retrieval capabilities and make search less time consuming. Documents can be recalled in no time and the need for searching the paper documents for specific evidence has been eliminated in the process. The way documentation is prepared would also depend on the client's processes and methods of general information systems environment. As customization or adaptation of the CAATs used by the auditor to the client's control

environment would take certain level of expertise and experience, the documentation would be acquired and retained in the CAATs according to the nature of client and business processes.

The importance of good audit documentation under tight audit schedules. The effective documentation of audit work performed is self-explanatory and facilitates review process for an experienced auditor. This helps in public accounting firm when their practice reviews are conducted by external regulatory authority to promote quality audit services. The quality assurance function puts emphasis on the fact that the opinion expressed on the financial statements is substantially supported by quality documentation.[23] The attributes which reflect the quality of good documentation can be briefly summarized as below:

- Easier to retrieve the files required for reference purposes
- Becomes easier for experienced auditor to understand and review the documentation
- Time and costs saving
- Documents the nature and extent of audit procedures performed
- Indicates the level of risks involved and how they were mitigated

The fact that future of auditing is gradually becoming a paperless exercise and documents preparation, maintenance and retrieval system would be transformed substantially and with the entire auditing process going electronic, the advent of electronic evidence and the effective methods of retention and record keeping, auditor can now focus on the issues involving significant risks and make use of analytical skills as less time is expended on the clerical, repetitive and often less-significant areas that are part of the audit. Technology has completely molded the way evidence is obtained and retained. The process that took hours before can be completed in a matter of seconds. [24-26]

## 14. Conclusion

The Traditional form of audits have been replaced by specialized CAATs and the concept of real time auditing by embedding modules into the ERP systems of entities subject to audit have evolved over the time with world's top Auditing firms leading the way. Information and Communication Technology has substantially modified the way public accounting firms carry out the examination of financial statements and ensure compliance with relevant laws, regulations and legislations. As more and more clients move towards automation and use modern day ICT to run their normal course of operations, there has been a paradigm shift in the role of auditor and practicing accounting firms. The alarming need requires auditors to update their IT skills and be well equipped and aware of the emerging methods to be able to compete effectively and achieve progress in the market. The initiative to make use of the available technology and the drive to sustain the revenue and reputation requires auditors to make continuous adjustments to their methods of working to acquire and retain evidence which would enable them to warrant an opinion on the financial statements. The International Standard on Auditing ISA 315 requires the auditor to obtain sufficient understanding of the client, its methods, business processes and other relevant information for planning an effective audit. Understanding the technology installed in the control environment to ensure reliable financial reporting is essential before carry out extensive audit procedures. This further necessitates the continuous professional training and development of the members of the audit team so that they have the requisite skills and knowledge to comply with regulatory standards and deliver quality client services.

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