



The Institute of Chartered Accountants of India

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Women & Young Members Excellence Committee

Organises

यशस्विनी - An IDOL- Live Webinar



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Chairperson, WYMEC, ICAI



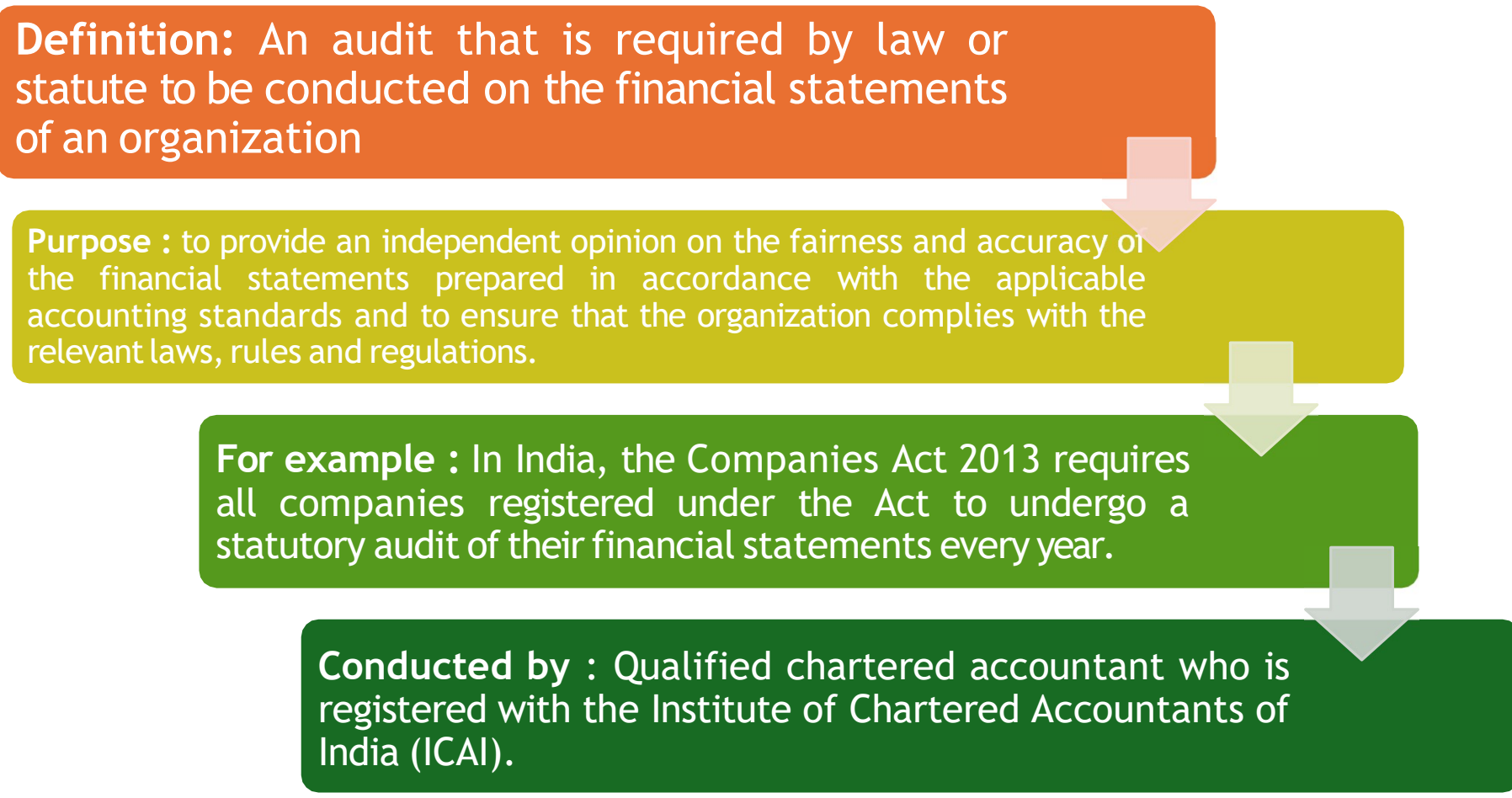
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Statutory Audit in the Digital Era

Presented By
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Statutory Audit

Definition: An audit that is required by law or statute to be conducted on the financial statements of an organization



Purpose : to provide an independent opinion on the fairness and accuracy of the financial statements prepared in accordance with the applicable accounting standards and to ensure that the organization complies with the relevant laws, rules and regulations.

For example : In India, the Companies Act 2013 requires all companies registered under the Act to undergo a statutory audit of their financial statements every year.

Conducted by : Qualified chartered accountant who is registered with the Institute of Chartered Accountants of India (ICAI).

Digital Era

Definition:

- The current historical period characterized by the widespread use of digital technologies

Key Characteristics of the Digital Era:

- Widespread Digital Technology
- Digitization of Information
- Rapid Information Access
- Transformation of Industries
- Technological Advancements

Impacts of the Digital Era:

- changing how people learn and how knowledge is disseminated
- shift to an information-based economy
- influences communication patterns, social interactions, and cultural norms
- Personalization and Experience

Auditing Digitally and Expectations from Auditor

Using Advancement
in Technology for
conducting efficient
and effective audit

Use of
Automation
and
Innovation

Example:
Using Bot
for
analysis of
statutory
payments

Expectations from Auditor

Involve the Experts/Upskill
the people

Automate and enhance existing
Business process

Evolving the scope of audit

Example :Using BOT to find out
changes /Addition in the Vendor
Master are after proper approval

Need for Auditing Digitally

Analyze large data sets, identify patterns, detect anomalies

Automates Routine tasks

Increased productivity focus on high-risk areas

Reduces manual errors

Real time monitoring of financial transactions and processes

Timely and informed decision making

Transparent and Tamper evident audit trail

Compliance with relevant laws, regulations and standards

Proactive risk assessment

Improved Audit Quality -Consistency, Removes risk of human bias and subjectivity

Key Features/Advantages of Auditing Digitally

Improved quality of
audit

Decreasing human
dependency

Increases Transparency

Automation and Ease

Improved Efficiency

Better Risk Assessment

Challenges and Ethical Considerations

Data Security , Privacy concerns and Governance

Upskill and adapt to new technology

Integration of new technology with existing auditing processes

Identify the problems to be solved

Range of automated solutions eg: Macros and Scripts, BPA, RPA, IPA

Consideration of Risks

Holistic understanding of changes in industry and IT environment

Control Considerations /Objectives of Auditing Digitally

Holistic understanding changes in the Industry and the IT environment

Design Appropriate Auditing procedures

Consideration of risks resulting from new technologies

How are risks different from traditional systems

Digital Upskilling

Understanding of design, implementation and operating effectiveness of controls

Key Shifts in Statutory Auditing

Explosion of Digital Data

Sift through huge volumes of data from ERP systems, cloud platforms, and digital transactions

Rise of Advanced Technologies

Artificial Intelligence (AI) and Machine Learning (ML)

Blockchain and Smart Contracts

Data Analytics
Example: ACL, Alteryx, Power BI, CaseWare

Cybersecurity and Risk Management

Robotics

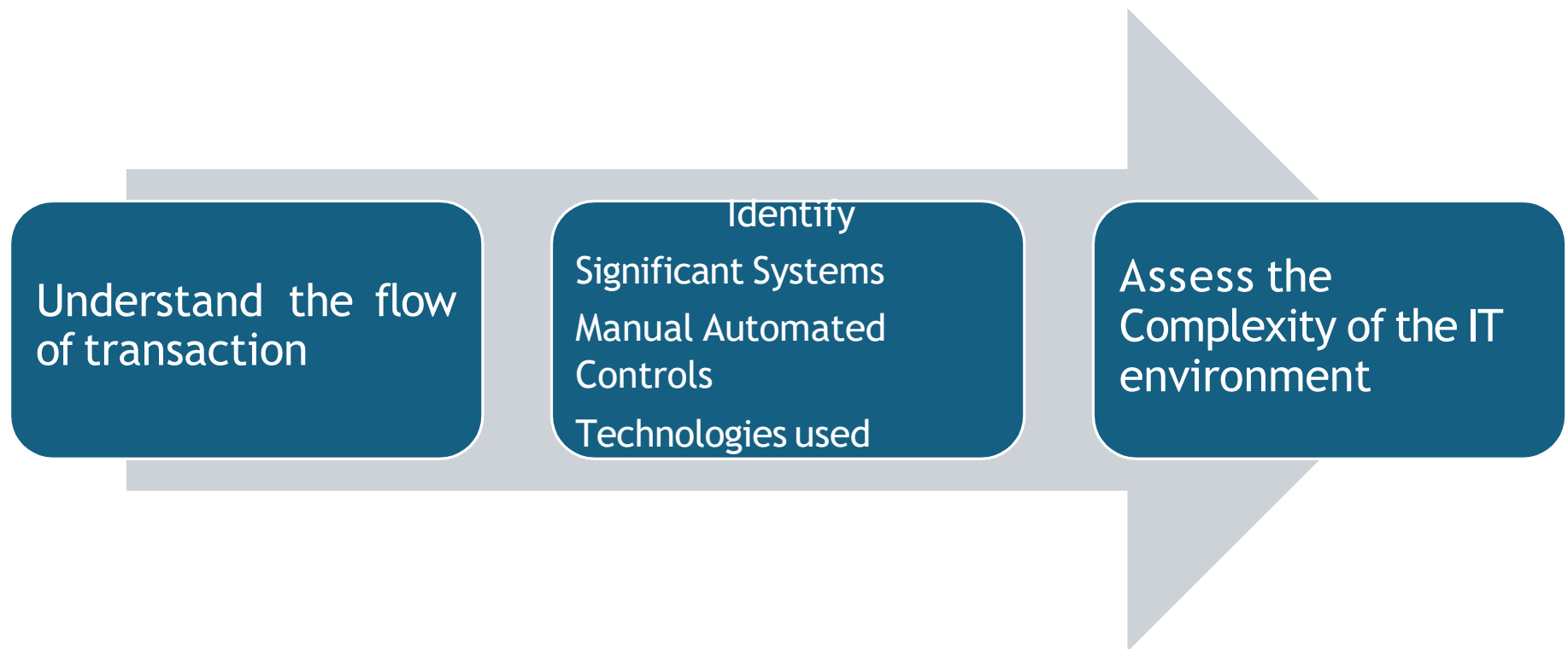
Remote and Virtual Auditing

Feasibility and Planning

Confidentiality, Security and Data Protection

Risk Assessment

Understanding the Stages of IT environment



Key Steps for the auditor in a Changing IT environment

Maintain sufficient Professional Skepticism when reviewing management's risk assessment for new system

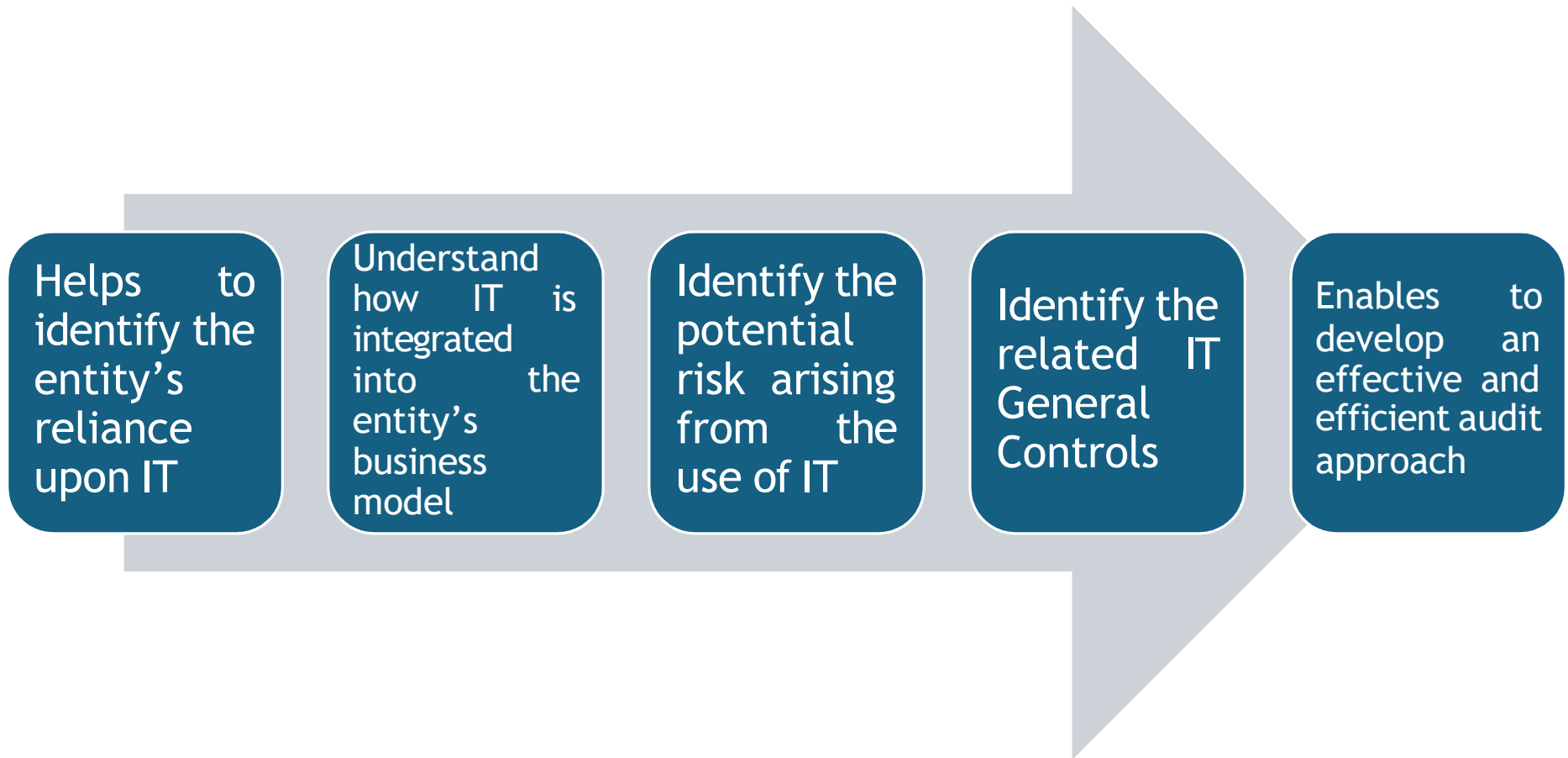
Understand the direct and indirect effects of new technology and determine how its use by the entity impacts the auditor's overall risk assessment

Understand how the technology impacts the flow of transactions

Design a sufficient and appropriate audit response

Assess appropriateness of management processes to select ,develop, operate and maintain controls related to the organisation's technology

Need for Identifying IT dependencies



Types of IT dependencies

Type	Example
Automated controls	Purchase order approval, existence check, reasonableness check
Reports	Vendor Master Report, Customer Ageing Report
Calculations	Straight Line Depreciation Formula
Security	Segregation of duties, Separation of roles and Responsibilities
Interfaces	Transfer data from Payroll sub ledger to General Ledger

Identifying the risks arising from use of IT

Unauthorized access to data

IT personnel gaining access privileges beyond those necessary

Unauthorised changes to IT applications

Inappropriate manual intervention

Data loss or data corruption

Failure to make necessary updates

Risk of system downtime

System Integration and Compatibility

Technological Risks where auditor should test appropriate controls

Cybersecurity Risks

Unauthorized access to data resulting in destruction of data /Improper changes

Inappropriate manual intervention

Unauthorized /Erroneous changes to master files

Possibility of IT personnel gaining access privileges beyond those necessary to perform

Unauthorized changes to system or programs

Potential loss of data or inability to access data

Future of Auditing

FROM	TO
Sampling Population Analysis	Full Population Analysis
Multiple Data sets	One Data Set
Disconnected tools	Integrated Ecosystem services
Manual Risk Assessment	Dynamic ,Data Driven Assessment
Separated Communication	Embedded Communication
Repetitive Tasks	High Value work and Capacity for growth
Manual Work	Automation
Adhoc Insights	Insights from a broader audit

Conclusion: Auditors are expected to

Identify the right balance between cost and benefit of Internal Controls for Mitigating Risk factors

- Understand how technology integrates with business
- How it is governed
- Activitied -Automated,controlled
- Business Impact of Automation
- How negative impacts are controlled and Monitored

Identify the Risks Inherent in technology

- Understand the technology Architecture
- Internal Control Framework embedded in technology and its integration with business

Questions

Any
Questions

Thank You