CPA
Practice Advisor

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Auditing has changed significantly over the last 50 years. During the days of paper general ledgers (the 1970's and 1980's), two auditors would work together to validate the posting of entries from the general journal to the general ledger using a method called "holler and tick". The person with the general ledger book would call out the accounts and amounts from each entry, and both auditors would make tick marks next to the relevant line on the ledger paper in the physical books that held these books of original entry. Both auditors would then scan the books for any unmatched transactions (or transactions which were posted twice), and the person with the general ledger would use a 10-key adding machine to foot each account and validate the balance.

Auditing in the mid-21st century will use more automation and will require future entry-level auditors to perform higher level tasks than those required just a generation ago. Enterprise-grade test automation tools like ACL Robotics and

Caseware IDEA have each been around for at least 30 years, but each of these legacy

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([1] This table presents a small number of the capabilities of selected solutions in the marketplace, and is not designed to present each capability of every application in the marketplace today.)

Many new tools are expected in the next few years, including a product called "Dynamic Audit Solution" from CPA.com and Caseware, a cloud-based version of CCH Engagement, Thomson Reuters' Onvio Audit solution, as well as enhancements to existing tools such as AuditFIle, CCH ProSystem fx Engagement, Caseware Working Papers, and Thomson Reuters AdvanceFlow.

While much remains to be decided by the marketplace, the future of auditing will likely involve real-time transaction analysis, risk evaluation, and data validation. Although this approach was endorsed by many academics and corporate governance experts over 20 years ago, we have seen few adoptions of this approach (outside of the internal audit/compliance groups at large enterprises and entities who need SOC audits). When blockchain-based data repositories are more broadly used by mid-market companies, third party commercial tools will be required to help auditors evaluate the integrity of the data sets. As firms and their clients adopt more structured business process automation solutions (e.g. process workflow tools), process mining will further shift the landscape in favor of real time auditing.

In conclusion, my advice is for everyone to get ready for change in the audit space, as it looks like we're in for some big changes to the standards, tools, and approaches we use for our profession's marquee service over the next ten years.

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