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# The Technology Lab Podcast – Review of Audit Technology Trends – July 2023

Technologists Randy Johnston and Brian Tankersley, CPA, discuss technology trends for audits.

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Randy Johnston & Brian Tankersley



Technologists Randy Johnston and Brian Tankersley, CPA, discuss technology trends for audits.

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## Podcast Transcript

(Add apx 10 seconds to time stamps due to intro.)

### **Randy Johnston** 00:03

Well, good day. Welcome to Technology Lab. I'm Randy Johnston with my co host, Brian Tankersley. Now, Brian claims that he is a recovering auditor, I don't think you ever get audit blood out of yourself at least listening to him, that's for sure. And we want to talk about some audit technology trends in specific about data driven audits and 100% testing. We know there's a lot of efforts from a quality and long term friend and associate of ours, Alan long has been a big driver behind quality driven audits too. But you know, bottom line here, Brian is give our listeners background on this data driven audit thinking and then we'll talk about other audit technology trends.

### **Brian F. Tankersley, CPA.CITP, CGMA** 00:50

Well, you know, the, the debate has always been on audits is how much testing is enough. And, you know, there was always an acknowledged and implicit acknowledgement that you couldn't test 100% of the of the documents or the 100% of the transactions. Well, with automation, the change, the calculus has changed somewhat on that. So now, we can download, you know, the entire General Ledger with the tool like Validus, and ingest all of the all of the details of the trial of the balances in the accounts, the AR, AP inventory, General Ledger, cash, everything, we can then use tools like validate to go in and and evaluate and see whether the cash transactions match up with what's on the actual bank statements that we have. And so there are all these different all these different 100 points, you know, we there are tools like inflow and valid is, that will take the data that's extracted or excuse me, inflow and missing the one out of Ottawa. Mine bridge mind bridge, that's the one I'm thinking of, yeah, so they will do a statistical analysis of the of the populations and identify things that are weird based on based using a combination of AI as well as just general general statistical analysis of things and identifying what's weird, what's not, and then assigning a scoring to it. So I want you to know here that the world of audit is changing rapidly. Now, another thing that seemed that that is kind of occurred to me is I've talked to people@cpa.com, and people at big firms and other

things like that. It occurs to me that AICPA is dynamic audit solutions that are coming out with is is trying to make appears to be he's trying to make some of the changes that we're talking about here. And the follow on I would mention is that, I think that there will be major movement in peer review. And in IT audit standards, to look upon sampling, like we've historically done a lot of things much more dimly in the future, than we do today. Now, I don't know whether they will explicitly say, Thou shalt download the entire thing. But I think that there is going to, if you're not already heading toward using these tools, like, you know, CaseWare idea, or ACL or, again, hit, you know, validate pick one, I think that those tools are going to go from, yeah, we use that at our big firms to suddenly now, we need to use those at every client. And so we it's going to be again, a very big change, you know, you think about what audit minor did for benefit plans about three years ago, where they made it where you could, you could basically ingest all the data and, and be much more effective at it. That's the thing that's happening with every all the rest of audit right now. And so, the days of, I'm just going to suggest to you that I think the days of the data specialist may be numbered, just because you combine what's going on there with something called Low code, no code technologies, where you don't have to be a database genius to do things with these tools. Now. You know, there's just there's just a lot of moving parts here to be sure, but the tools are getting better, and they're doing more and more of the work on an automated basis.

## **Randy Johnston** 04:40

Yeah. So you know, just to another technology we have on audit side has, you know, pretty special data ingestion techniques. And as you were calling out, you know, so many of the tools that are out there, we've been watching the confirmation marketplace, for example, change in the way that that will works audit sites doing that as well. Wolters Kluwer has that, you know, after confirmation was purchased by Thomson Reuters. And you know, when I think about our long term contacts on other tools, like the, you know, active data piece, or the mitre tech piece that, you know, we've talked about in the past, and I was listening to you, because you used exactly the word, I still tend to use ACL. But I think that that actually went to galvanize to deal, diligent. And it turns out that the product tools that are being introduced, and the very, very widely varied products that are available, are, frankly, in my mind, stunning. Now you and I tried to stay on top of it, I think we're doing a pretty good job of watching all of the potential audit tools. But you know, ones that we have not even recorded a technology lab on yet such as day shape, or another one where, you know, we we sincerely enjoy the president CEO, Bill Kornfield, over a WSG with the Empire suite approach, which clearly in my mind is a, you know, a

wonderful product or teammate analytics from Wolters Kluwer, which, you know, we've been fans of pretty much since introduction, I just think about all these tools.

## **Brian F. Tankersley, CPA.CITP, CGMA** 06:26

Yeah, another one, you know, data Snipper, that we recorded a technology lab episode on last month, you know, it really, it really strikes me that the audit world is going to change one way or the other. You know, we actually, I actually saw a field guide, saw a demo from field guide, they actually announced some AI technology field guide is used in a lot of internal control related audits. And, you know, so they would do things like sock one, sock two, and then map the same attributes over to over to other kinds of frameworks, like the one like Sarbanes Oxley and other things like that. So you can use the same testing for different kinds of artists that you're doing. And what I found to be very interesting about it was that it in it, you they in the example, they showed you basically fed employee handbook into there, and hit it went through and evaluated the wording in it, and then figured out whether or not it whether or not things complied with, with the required control objectives. So it actually made a a qualitative decision based on the words that were in there, and their large, large language model. You know, we talked to Nancy to share it from I think, at least least query and about about the state of lease accounting, and how, how lease accounting is now mandatory in the governmental world. And we have to, we have to do the balance sheet gross UPS there. And, you know, we also talked about how how a lot of firms are using the same kind of AI technology to ingest key lease terms out of out of PDFs of these leases, so, so the days of being able to pay people what we have to pay entry level accountants to do some of these tasks, I think, are coming to a close.

## **Randy Johnston** 08:23

Well, and, you know, we've, like you've said, recorded a session on data Snipper. But, you know, they announced new bank feeds and some other things, and that's actually the trick friends, is all of these vendors are trying to move their products forward. And what you know, today isn't necessarily what, so six months from now, or, or a year from now, and therefore, you're gonna have to stay on top of it. And where we used to have one or two, or maybe three platforms for audit it now without exaggeration, there's 10 Plus platforms that can be chosen from and all the supporting tools. And here we're trying to, you know, improve realization on competitive marketplaces, although, I have noticed that audit fees seem to be on the rise, which is maybe healthy for the profession. But then there's one other little twist

that comes along with all this. And that is that the pricing models are almost universally changing. And almost all of the providers have gone to or they are transitioning to the pay per engagement model. So, you know, the day before we're recording this, I actually looked at a new quote, and the engagements, you know, the quote from the vendor was per engagement. And I'm not saying that's right or wrong, but as you tried to state earlier, Brian, you know, you may be forced into changing platforms into the cloud. And I'm not anti cloud, but the pricing models on the cloud product are almost always pre engagement for either prep company review, and or full audit. And so, you know, I start watching the dollars on a trial balance for a business tax return. And it's like, oh, really the odd I'm thinking quite a few firms aren't going to swallow

**Brian F. Tankersley, CPA.CITP, CGMA 10:18**

that. And that's one of the reasons we're making a significant change in this year's accounting firm Operations and Technology Survey, to ask questions about how many of those engaged how many different kinds of engagements you do. So we're gonna ask him questions like, how many audits do you do? How many? How many reviews? How many cops? How many preparations? Do you do Kaz? If so, do you do payroll? How many of those did you do? How many tax returns? Do you do? Have all the types? You know? 1040 1065 1120 1120? Yes, 7067, or nine, and, and all the others out there? So, you know, the part of the problem, I think, is that the vendors, in some cases don't even have the data to know how many of those engagements get done. I actually had a conversation with a CEO of a tech company about three or four years ago, and I think you were in on that conversation, Randy. And this guy wanted to know how many audits get done in a year in the United States, and there was no number, there was no source for that number. Okay, you could have probably gotten some of that out of the AICPA peer review data. But that data is not public. So there's, there's there was literally no way to know how that's going to all work out. So that means that you may negotiate something, and and they may get better data in the future and change things up. Or the the pricing models, I guess I'm saying are not set in cement at this point, forever. And I think they will be responsive to the market, depending on how things come out.

**Randy Johnston 12:04**

Yeah, so you know, this, since this session is about audit technology trends. What I'd like to do Brian is maybe throw out a bunch of names in a hurry for our listeners, recognize that this will be documented so you can get them. But you know, if we just



look at work papers alone, where it was traditionally cch engagement and engagement CS and case were now a day nowadays, it's accessing engagement and CaseWare cloud and advanced flow and audit file and in flow, and I'm know I'm missing some you've actually referenced Field Guide, and you've

**Brian F. Tankersley, CPA.CITP, CGMA** 12:41

got a data sniffer. Yeah, I mean, I mean, it is amazing. The sheer number of tools that are out there. And that's before we haven't even mentioned AICPA is Daz and, you know, the, the advantage audit that I think Wiley has, and there's just, there's just a crazy number of new innovations going on that that again, mean that you may need to think about what your strategy is going to be to meet some of these new needs.

**Randy Johnston** 13:15

Yeah. Because really, if you got first you got the workpapers platform itself, and then you go over into the methodology, which is where you were headed there. Because, you know, in the old days, PPC and smart aides, well, that's become checkpointing gauge from Thomson Reuters. And, you know, there's an effort to pair that up with advanced flow. And of course, cch access has got their knowledge coach, and there's an effort from cch to pair that up with access engagement, of course, the Wiley advantage audit, which you just named the RSM approach, for example, the BDO app gin, I think it's got a new name, but you get the idea. There's lots of different methodologies out there. Field

**Brian F. Tankersley, CPA.CITP, CGMA** 13:56

Guide has one that, again, is designed around control evaluation. And if you do a lot of system reviews, you know, or a lot of work where where you have to measure and report on internal control under multiple frameworks. That's one that that may make sense. So you can map COSO to COBIT, two, Sarbanes Oxley to sock two objectives to sock one objectives. Now, that's not something though, that your average small practitioner has to deal with. Okay? So figuring out which of these tools make sense for your specific needs is going to be really important. And I think it's going to be interesting to see how the governmental auditing area responds to it simply because, you know, the money's not going up and governmental audits. So figuring out how to do this stuff effectively at a reasonable price is important. Randy and I have actually done some work with an organization that's looking at small municipalities and we're learning of cases where Are these a lot of these small municipalities are actually getting in trouble. And they don't have adequate books

and records. So they can't turn their audit in. Because they can't find enough Pete, they can't find a enough accountants to do the work that needs to get done for them. And as a result, they're having to pay, you know, extra points on their debt, or they're even in violation of debt covenants for these for these municipalities, simply because they they have this problem. And we don't have a solution on how to scale some of these technologies down to, you know, the small municipality with 5000 residents.

**Randy Johnston** 15:39

Yeah. And so if we turn our attention to trial balance, you know, a lot of those are very traditional inside the platforms. And you've got a few upstarts like tele for which we've covered in a prior technology lab that can do some trial balance work for you. But you know, how much Trial Balance do you need, if you're not doing audit work, you're just doing prep company review, all of the major vendors have PCR pieces, and maybe all you need is Trial Balance, if all you're doing is tax and client accounting services, but that kind of gets over the client collaboration tools, then, because for audit, clearly, you want a client collaboration tool, you know, sure link has been a leader in that area for quite some time. And we're now seeing the onpoint collaborate, and we're seeing cch access client collaboration portal and the on vo portal and, and lists you and you and I both know that there's 20 Plus portal tools that are out there. So the question is, is your collaboration, you know, effective? And how do you want to get that done? You want it integrated in your platform? Do you want a separate tool to get that done?

**Brian F. Tankersley, CPA.CITP, CGMA** 16:49

Yeah, and we've not even started talking about audit analytics yet. And workpaper automation. And I mean, that's one of the things I liked about that inflow audit ecosystem. White Paper, is it had an amazing appendix called audit architecture map. And unfortunately, since we're an audio podcast, I can't show it to you. But it actually goes in and talks about some of the key features and list out some of the key features and some of the key areas that we have to do. And this is something that you and I have seen in our work for counting web on document management and other things like that is that the traditional lines of where one product starts and another ends has changed. And so now we're almost like this situation where we have a bunch of Venn diagrams that we're putting together. And we're having to say that, you know, the line, you know, this product starts here and ends here. But the other product, you know, incorporates these features, but doesn't incorporate these kinds of features. So it's really important that you do your homework on these things and

understand what you're getting into and understand what the platform's normal approaches for solving problems in the particular area. Because if you know, this kind of reminds me of when, when you and I used to do work with with huge enterprise software companies like SAP, you know, if people will listen to SAP about the way their solution is supposed to work, and they will implement it, they can be very successful. But if you try to implement things in a fashion other than the way, you know, for example, the way Thompson tells people to implement practice CS, or the way that the way that cch tells people to implement cch access practice, you know, if you don't pay attention to those things, you you may not be able to get everything that you could get out of those things. And that may require process changes on yourself.

**Randy Johnston** 18:53

It could well Well, Brian really had mentioned the tech lab session we did on tech governance and the inflow work white paper that was you know, we covered there. But you know, that really brings us and I want to continue on audit analytics. But data ingestion, you know, a tool that we also have a separate session on the valid is tool is an interesting one, but inflow has it built in audit side has it built in. So data ingestion is also fascinating. And to a degree, you could say that some of the audit analytics tool like teammate analytics have a data ingestion capability. And so this line that you were just talking about Brian is very blurred because you know, audit analytics used to be the realm of the big boys like case where idea in mind Bridge, which were fairly expensive tools, but now we're seeing audit analytics in all sorts of forms, including the data analytics in the inflow platform and more. So, you know, when it comes to managing all this, you really had noted that the practice management and budgeting Ottawa of our audits is handled in the practice management system like Thomson Reuters practice, the s or cch is you know, ethics practice management historically. But nowadays, access practice around VO for management and of course, Iris is consolidating star practice management and practice engine. And of course, there's day shape, which is, you know, a fascinating budgeting and staffing tool. So when I start thinking about all the resources that we might need, you know, we can go back to legacy tools like ProStaff, or like axiom scheduling, or the other product that we've recommended for a long time, the WSG Empire resource tool, smart sheets and day shaper use there, there's just so many different tools, without even getting over into bank confirmations, and E signatures, engagement letters and the other supporting technologies for all. So you know, I, I'm just



**Brian F. Tankersley, CPA.CITP, CGMA** 21:02

and there, we have people now that are using using tools like drones, to go observe inventory. And in some cases, I'm seeing people go almost with a with a GoPro to an inventory observation, just to grab video when they're doing things. So the the world is, is different.

**Randy Johnston** 21:23

It is different. Well, you know, I, there's so much more we can continue to talk about in the realm of audit technology trends, are there any other key things that, you know, we need to call out for our listeners today?

**Brian F. Tankersley, CPA.CITP, CGMA** 21:42

I think if you're, you know, I think if you if you're if you're doing an audit practice, I think one of the things that it's critical that you do is sit down and sit down and talk to your peer reviewer about what they're seeing people do that are similar to you, I think you need to get networked in your state CPA society and talk to other people at big conferences, you know, and we did a thing on AICPA engage. And during that I mentioned that I felt like I got a month's worth of networking done every day I was at engage. Just because there were so many people and the quality was so high of those people, that I could solve problems there face to face instantly, that would have taken me a week to get done just because of phone, tag and email tag. So I think you'd need to get out network. And if you you know, if Randy, Randy named so many different categories, if you don't, if you if you don't have a tool for some of these categories we're talking about, you also need to go so that you can you can network with other people and see what they're doing. And see what the state the state is of, of these different tools. Because you may be using a methodology that that doesn't incorporate some of these things. And so you may be thinking, go sitting hat fat, dumb and happy, thinking that, that you're you're doing everything great, and you got to clean peer review three years ago, and that means I'll get one in three more years, that may not be the case, the world may move.

**Randy Johnston** 23:19

Well, and as you were explaining that, Brian, I was thinking over the last few years in particular, I've been asking firms to drive to fewer tools rather than more. And as I've been listening to us go back and forth in this session, it was like more and more and more tools in potentially less profitable work, or certainly resourced restrain work.

And you know, that's pretty interesting to me. Because, again, whether you're talking full audit, or whether you're doing prep, corporate review, we do need efficiency of these tools, we need them to be effective, we need them to be easy to use, and we need to be supporting our teams. And labor continues to be an issue too. But what's

**Brian F. Tankersley, CPA.CITP, CGMA** 24:03

different about the next gen tools is that they will do the ingestion and do the cleanup and they'll they do so much more of it on an automated basis. It's not like the tools like ATP we had 25 years ago, where you had to you had to key the data into it in most cases, you know, and if if you could figure out how to get the formats to match up and the account number formats and everything to work, then maybe you could do a CSV import. Okay, we're not talking about throwing CSVs around here. In most cases, we're talking about things that are just ingesting through through automated tools, and then we we take our populations time out. And so even though there are more tools, the tools are doing more, much more, and there is much less busy work than there was in the past, but doesn't mean it's gone. Yeah. Well, always

**Randy Johnston** 24:57

a pleasure to be with you in the day. Technology Lab Brian and with all of our listeners, because new ideas come from, you know, listening to others observations, and boy there's a lot of audit technology trends and tools to be watching for.

**Brian F. Tankersley, CPA.CITP, CGMA** 25:15

We don't know exactly, we don't know exactly where it's gonna go, but boy, it's going to be interesting so I get your popcorn bought.

**Randy Johnston** 25:23

Well, we enjoy our time with you, and we look forward to being with you in another technology lab. Good day.

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