

# **The benefits of audit digitalisation and the effects on the work of auditors**

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**Abstract:** The business environment is changing faster than ever, with technology disruptions and recreating the way companies perform basic processes. Digital adoption means improved quality and greater transparency, shorter audit cycle times, reduced errors and lack of services. It is more than a transformation of technology. Through all the changes such as the acceleration of administrative tasks and digital investments, all contribute in optimizing efficiency, so that professional auditors can focus on more strategic areas of their roles and, in turn, add more value to shareholders. This paper describes what digitization means and how it is perceived, what is the effect of the work of auditors and what will be the impact it will have in the future. The digital transformation of processes consists in adapting the company's processes to the new digital environment. By automating processes, it means that all information is stored and available in the digital version.

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**Keywords:** Audit Quality, Social Distancing, Work of Auditors, Digitalisation

## **1. INTRODUCTION**

Advancement in technology promises a very important change and these are just the benefits offered by professionals in the field of financial audit and not only, which has been long awaited.

Such changes include the rapid growth of data volume, changes in business models, the shift to automation, and the demand for a proactive and forward-looking approach to auditing. These developments require auditors to be technologically prepared to enable them to continue to do business and perform a high quality audit.

## **2. OBJECTIVES**

The paper presents information on the digitization of the audit and its effects. Internal and external auditing are both impacted by continuous digitization, especially in terms of the tests that need to be done. Audit firms are now focused on ticking the following points: focus on reducing costs in order to implement new technologies, increase innovation through technology, reduce risks by greater coverage of the information being tested by the audit team .

## **3. METHODOLOGY**

The digitalization of society is taking place on a global scale and may currently be the strongest force for change in society (Holley 2004). This change shapes organizations that will continue to function in the future, where professionals must rely on information

and communication. Iuliana Țugui argues that organizations need to modernize together with the circumstances that come from digitization in order to continue the activity in the next period (the next years), regardless of whether they like it or not (Iuliana 2005). A definition of digitization is as follows:

"Digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities. It's the process of moving to a digital business." (Gartner 2006)

Responses to change are and will be essential to human survival. Responses to perceived changes in the workplace can be found daily. For almost any activity, there is someone or something that can help you not get stuck. In the field of auditing, the auditor can be assisted in learning about the digitization of applications or the environment in general or from his or her own team or from the various seminars available to him or her. Especially in Big4 companies, the fastest applications are new applications or working methods that improve the work they do. Moreover, they help to reduce the working time, especially during the season.

Boillet Jeanne from EY (Boillet 2018) (Ernst & Young 2019) summarizes the effects of Artificial Intelligence on auditing:

- Artificial Intelligence can be used to automatically monitor financial transactions;
- Artificial Intelligence can stimulate the process of identifying fraud by forming sophisticated models focused on "Money Laundering";
- Artificial Intelligence can interpret various data sources, such as social media, e-mails and audio files from meetings for example;
- Artificial Intelligence can allow auditors to optimize their resources, allowing them to use their own intuitions to evaluate supporting documents on a larger scale and in more depth.

#### **4. ANALYSES**

##### ***4.1. Advantages of auditing digitization***

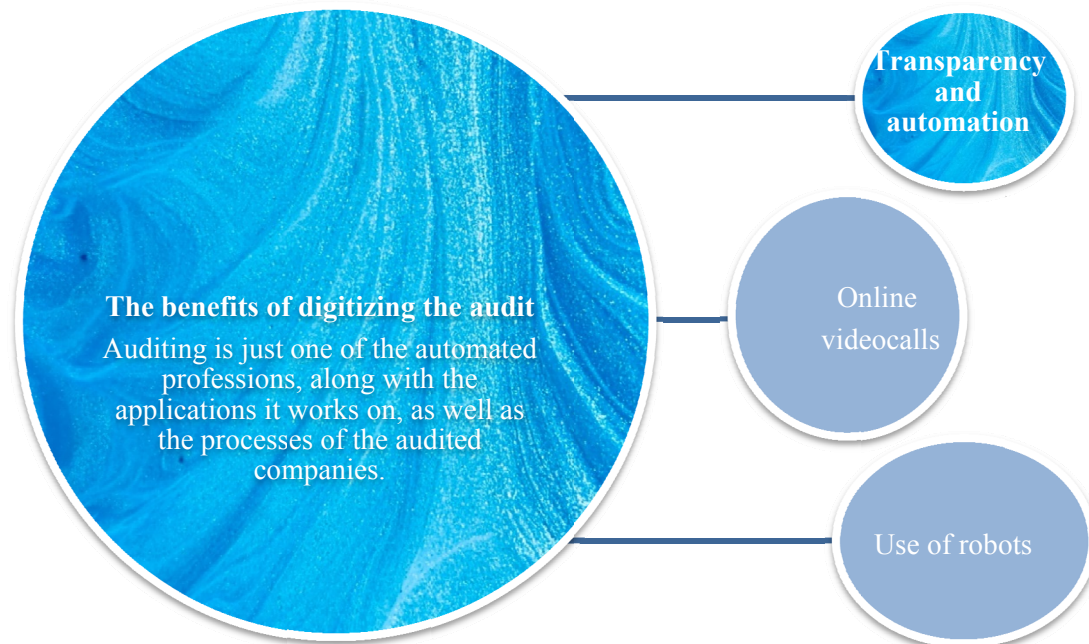
Everyone invests in new technologies that increase ease of access, increase productivity, help make decisions that will then stimulate the business. With all these industries digitizing their information and more, the banking industry, for example, is no different. It is also undergoing a huge transformation where professionals can evolve further, in line with current requirements. Remote auditing has gained ground recently, as there is an extreme need for this as well as cost reduction.

Technologies such as video conferencing, e-mail and audio calls can be used to obtain audit evidence. Moreover, with the COVID-19 pandemic, the audit began to have evidence through video and audio calls. This way of working can help to build a much better relationship between the auditor and the auditee. This great transformation will change the way auditors work in the future.

The main advantages of digitization are:

- Absolute transparency, which makes room for an identification of much higher risks of a business;
- Data availability will be much easier. Auditors will be able to access data through authorized secure platforms and applications - anywhere, anytime;

- It will be possible to save more time by preparing audit reports, as the auditors' work system will generate the report once the audit is completed and reviewed;
- Allows the auditor to spend more time on aspects that add value to the audit process with the help of applications and software that is now much easier to use and provides all the required information at hand. The reports contain more details and provide better information for evaluation and help auditors make informed decisions.
- Auditors will be able to view data, including larger databases, review, conduct audits and, where appropriate, make observations.
- Remote auditing eliminates the cost of transportation and accommodation, even eliminates health issues if necessary, and the auditor is probably much more focused than before.



**Figure no. 1 - Benefits of audit digitization**

The digital transformation of processes consists in adapting the company's processes to the new digital environment. By automating processes, it means that all information is stored and available digitally. It promotes software development, supply chain management and increasing the efficiency of business processes. The following points are very important points that will make the process easier for the auditors:

***o Better customer experience (audited)***

Both the audited company and the auditors or audit team have a better experience and easier communication. Information is received much more easily, and services can be much more efficient. All this can lead to customer loyalty within the limits of auditing standards and procedures, as well as ethics.

In order for the audit to use digitization, we need the audited client to have the digitization implemented in as many processes as possible. Databases can be much easier to use and interpret if they are complete and reconcile with the rest of the information. In Romania, in

this regard, things are more delayed because we do not have a very good structure on the digital side, and the implementation costs are very expensive.

o ***Enterprise mobility***

Digitizing processes is better teamwork. The communication between the members of the audit team and that of the client must be open, from the beginning of the audit. As mobility costs, they can be reduced to 0. You can work entirely from the office / office through video conferencing meetings or just a short period of the total time allotted to a particular partner.

o ***Fast and productive processes***

In the daily life of any company, there are many tasks that take up too much time and are not very productive. There are tasks that do not bring or do not add value to the company and that take a lot of time. These tasks require digitization to be more productive and to be able to invest more time in others.

With digitization, it is possible to perform activities such as signing documents, sending reports, and more. It makes working time more efficient, which will directly increase productivity. The use of digital technologies allows efficient communication between teams.

In this way, the workflow and information is improved due to the transfer of data in real time. This results in increased productivity and reduced costs. In fact, reducing the shorter waiting time is one of the most effective ways to increase the company's efficiency.

o ***Process automation***

Thanks to digitalization, many of the company's processes will be automated. It will be possible to access information from your mobile phone (only it will need to be secured to protect your data and private information), to communicate with customers or to solve problems / incidents. All processes such as data collection in the selected audit period, inspections, audits, quality control can be automated by robots or other applications to replace the work of an employee.

Moreover, they can be automated so that they are valid in all locations. This means that time will be significantly reduced.

o ***Accessible and secure information***

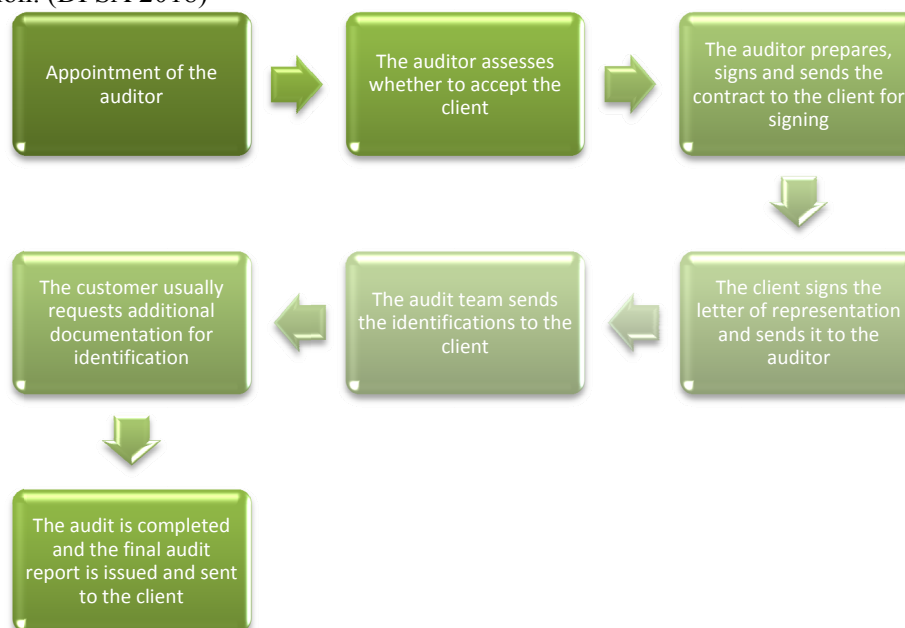
Accessing information every day is easier and time consuming. But it must be borne in mind that with the automation of processes, information security will be a very important point to achieve so that no information gets to the wrong place. All saved information is stored in the system, and it can be accessed at any time and you can export various analyzes. With this system and process optimization, it is harder to lose information.

## ***2.2. The effect of digitization on auditors' working method***

### ***When will the digitalization of technology result in a change of business and what will be different?***

From an audit perspective, in his article on DFSA (Dubai Financial Services Authority), Hisham states that "Technology will continue to eliminate certain requirements for employees, as well as documentation processes, which will increase time efficiency and reduce the number of employees. However, the value will continue to be supported by the understanding of the audited client's business model. Data analysis increases their accessibility, however human intervention in these processes is still needed to filter

information and advise customers effectively. We can expect the audit to be delivered by a lower-level team member who uses the database to analyze and accumulate business information to understand the requirements of shareholders or managers. Machine learning and artificial intelligence have not yet reached the point of replacing the human contribution. (DFSA 2018)



*Source: Own Processing*

**Figure no. 2 - Audit steps**

These audit stages are the mainstays of what auditor work really means. It is a typical example of a process that largely depends on documentation which in turn requires many other steps and actions, both from the audit firm and from clients. The contract - the auditor's letter of commitment, the management letter, the letter of representation, the audit report, additional documents required for the inspection and the final audit report are just some of the documents that the client and the audit team must prepare.

As a result, the workload for audit firms is constantly increasing. Customer expectations and the need for "speed" have also evolved.

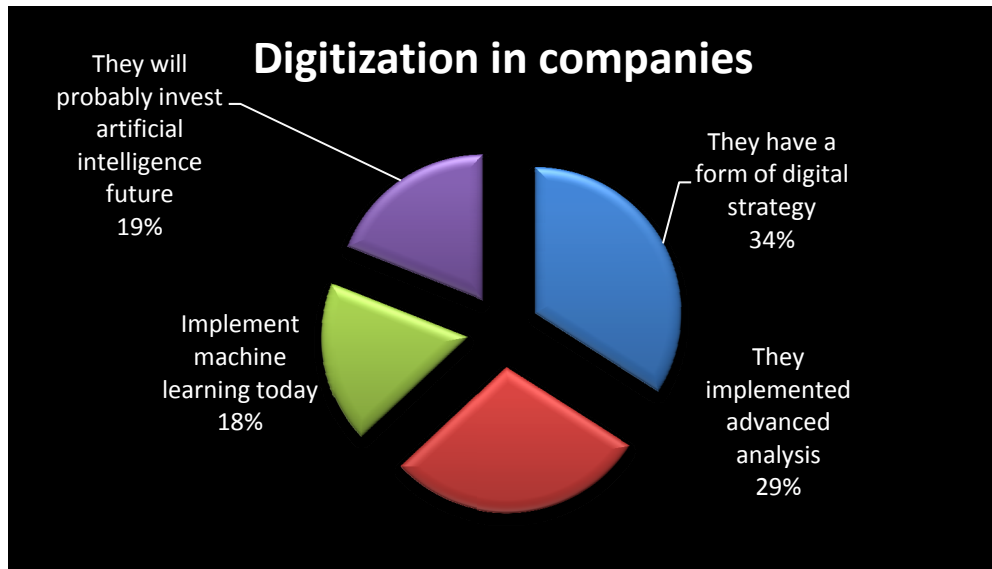
In a certain form or rather a first step, digitization means the transition of accounting and reporting documents from the traditional paper system to an electronic format.

Assuming that companies of all sizes that manage more than 3,000 documents annually should consider digitizing their financial functions, audit professionals should not be seen as an exception, as they are a prime example based on documentation. written.

For auditors, digital adoption means improved quality and greater transparency, shorter audit cycle time, fewer errors and fewer services. It is more than a transformation of technology. Through all the changes as well as the acceleration of administrative burdens, digital investments all contribute to optimizing efficiency so that professional

auditors can focus on more strategic areas of their roles and, in turn, add more value to shareholders.

In a study, EXL and the Harvard Business Review conducted a survey to see how many companies are interested in digitization, how many they have implemented, and so on. (EXL Service 2019). Below in the graph are the percentages analyzed following the survey.



Source: (EXL Service 2019)

Figure no. 3 - Digitization in companies according to the EXL survey

In the simplest possible terms, digitization changes very quickly what companies have to audit, and here we refer to internal audit. Business processes are like a flow of change, just like people, where data and technology are changing. These major changes pose a threat that overall control may deteriorate if transformation risks are not proactively identified and prevented.

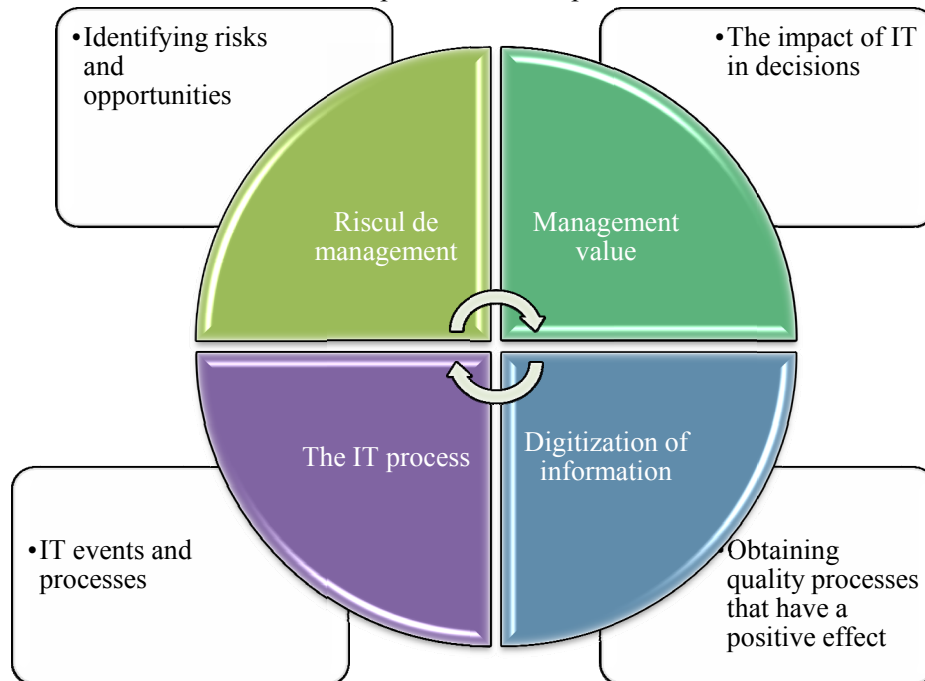
The internal audit mode is also changing, with a focus on digital developments. Internal auditors should be informed of this part as well. The internal audit shifted from the courts tested (looking back) to a role based on continuous monitoring, but in an advisory role. Internal audit must now double this trajectory through digital reinvention, modernization of tools and technologies, and audit methodology.

Technology is changing in almost every field, not just auditing, and it is making changes that should often be for the better and make the user's job easier.

"Information technology changes the way companies conduct their business in its essential aspects, related to structure, objectives, strategies and human resources. Due to its competitive advantages, it is widely used in all business environments. It offers new functions and tools for accounting procedures, leading to positive changes in the accounting profession. The advantages of processing financial-accounting data with the help of computers are quick access to the appropriate accounts, detailed representation of financial information, which can be easily printed or transmitted online at any time, and

better error detection and more efficient control of information. (PALADE 13- 19 September 2016)

If we move on to the digitization of information, the value of the information must be taken into account, as well as the IT risks that are involved in this formula. Below is a figure that shows how the value of IT depends on the IT process, as well as its risk.



Source: Own Processing

**Figure no. 4 - IT integration - value and risks**

As mentioned above, the digitization of information and information systems can have a positive effect and impact on any entity. As in Figure 6 above, all 4 factors are involved in this whole digital process, and the processes and risks involved in digitization must be automatically assessed. In this doctoral dissertation we also talked a little about the IT risks we mentioned a little above, namely that they can have a negative impact when we are dealing with a hacker attack. All information must be secured or encrypted so that there is no breach of the information. The integration of IT and the digitization of entity information will be of high quality and with a positive effect, as well as lead to cost reduction.

In the changing environment, information technology is becoming an important strategic factor for business. The IT field improves the company's performance and increases its competitiveness in the market, having a positive impact for the fields of audit, accounting, finance, human resources or marketing.

In a short time, most companies will be able to afford to use information technology more and more, so the whole process will make the work of all entities or users of information easier, leading to a good cost reduction as well as environmental protection worldwide.

## 5. CONCLUSIONS

Digital technology will enable the auditor or the audit itself to move towards better control of the data received from the client and to an improvement in the quality and relevance of the audit. Covering all databases, regardless of their size and with the new digital tools, will allow a much more relevant analysis of the various data and processes of the customer to identify many more errors or anomalies that go or spread in the financial statements.

As digital progress is progressing at the moment, it is a big question mark whether the technology will be successful in the next 3 to 10 years or will only lead to a malfunction.

However, the audit will need to rethink its audit process and how it can perform professionally and transparently in the future. It will be absolutely crucial for the audit field to keep up with future changes in technology, both internally (ie the software that will be developed for the work of auditors) and externally, for updated software or audited client equipment.

As it was mentioned in previous chapters, technology gives the audit the ability to improve the quality of the audit and add value to it: to be retroactive, backward-looking exercise to be proactive, forward-looking to work in real time. In doing so, it will help companies by providing real-time consulting.

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