

How Pandemic has Accelerated the Digitalization of Audit



Yogesh Sharma
Partner & Head-Assurance
BDO India LLP



Divya Rathod
BDO India LLP

If “necessity is the mother of invention,” the pandemic forced many around the world to rethink their daily lives at work. In response to travel bans and recommendations to not gather in large groups and keep distance from fellow humans to limit the spread of the virus, many people turned to digital tools to keep some semblance of normality. It's been imperative to digitally transform our places of work to be able to operate effectively.

This digital mandate isn't new; it's simply been brought into sharp focus, now more than ever. Prior to the pandemic, a paradigm shift towards digitization of the economy was already underway but not implemented and practised to its fullest. The audit

processes prior to this shift had hints of digitization which includes E-Filing, confirmation process, auto sampling and selection, data analysis but several process did need manual intervention to a great extent such as – physical verification process, physical confirmations process, physical signatures on reports and certificates, all key management and audit committee meetings for discussion on key matters were physically held. In order to conduct the audit procedure, the audit team had to be physically present at the client premises.

In just a short period of time, the pandemic has tested our plans to run businesses with an entirely remote workforce, almost fully, virtually. While some may argue the appropriateness of that response, the reality is, that company after company is going that route, in preparedness of an inevitable future that would be dominated by technology. This has accelerated the digital paradigm, as evidenced by the marked shift in spending towards digital mediums. . . Large number of audits conducted in the past quarter (April to June 2020) have been successfully and efficiently performed remotely through the work-from-home model.

Organizations that embrace digital solutions have greater resilience in the face of adversity – the world has now transformed to create a “New normal” underpinned by digital transformation. In the world of audit, digitization has enabled entry to several aspects such as –

- Digital sources to access client data,
- Reliance on electronic confirmation has been practised,
- Physical verification of assets/Inventory are performed by the means of video surveillance,
- Video/audio conferencing-based meeting with management for audit issue discussion and audit committee meetings
- Exchange of client data has been practised only through client portals to maintain client secrecy and avoid data leakage,
- Performance of internal review process through reliance on electronic files.
- Additionally, archival of client data on cloud-based servers ensuring efficient data maintenance,
- Virtual manager -partner review is conducted.
- Audit training have been conducted using an online portal which results in the continuous training,

Without virtual tools and technologies, we would have no way to process audit work now. The pandemic has helped in accelerating the digitalization of audit, which is, atleast 5 years ahead of time. . On realising the advantages, the auditors have taken a step to invest significantly towards the cost of digitalization.

Amidst discovering new procedures to conduct an audit, auditors have observed several benefits that can be wielded - better audit evidence, newer data storage methods, increased efficiency in audits and results, accelerated communication, time efficiencies resulting in overall higher audit quality and lower recurring costs. The Institute of Chartered Accountants of India (The ICAI) has allowed digitally signing all reports and certificates, thereby adapting to this change through demonstrating regulatory acceptance of digitally signed documents

Along with benefits digital transformation has also brought in several challenges which the auditors had to face whilst conducting audit procedures. The evolving digital infrastructure has been a hinderance in the smooth flow

of the audit process. In some cases, lack of in-person interactions and assessments have led to discomfort in audit close meetings where clients and auditors had the luxury of feeling 'trust' tangibly.. Challenges were also observed with respect to access of data, transmission of bulky files , , obtaining supporting documentation which exists in physical form. The primary quality of a robust audit has always been reliability that now is quasi-questionable unless the authenticity of data obtained from client / stakeholders can be undoubtedly verified. . In addition to these operational challenges, the biggest fear that the auditors lived with, in this pandemic, is fear of losing their job, in the face of a totally automated audit.

Though there are significant challenges that the audit profession had to face, the benefits of digitalisation of the profession far outweigh the benefits, leaving the auditing world in the slow but sure process of overhaul.

Hence, digital transformation is not just the temporary outcome of this crisis, but a way of business to stay. How the profession of audit looked, before the pandemic would never be the same.. Resources—both in terms of talent and money, will likely be constrained. Digital initiatives will need to be reprioritized based on need & relevance. For some businesses, the forces of disruption may be so great that the long-term strategic vision will need to be re-evaluated.. The key is continuing to evolve and innovate with digital solutions front and center. With the right approach, businesses can come out of the fray stronger, more agile and more customer-centric than before.
