

# Ten Top Tips



# For Effective Audit Execution

“In a time of rapid change, standing still is the most dangerous course of action.”

- Brian Tracy

## Plan to Execute. Execute to Plan

The execution phase of an audit engagement is an intense period of activity. Managing teams, analysing information, executing testing, making judgements, documenting work and interacting with clients.

In busy periods, effective audit execution becomes critical to client satisfaction, profitability and team morale. Challenges in delivering just one engagement can have a domino effect satisfaction around the firm.

This guide has been written to help teams execute effectively and consistently even when busy. It is for auditors striving to improve and add value – for those not satisfied with SALY (same-as-last-year).

These tips and techniques come from our experience over many years performing varied audit engagements. They will help you provide more challenging and interesting work to your teams, meaning they develop and hopefully stay to deliver the audit again next year.

## The Prize on Offer

At the end of an audit engagement your client should be satisfied your audit has delivered the value they desired against the fee you charged. You and your team should be satisfied you have planned and executed a successful engagement.

But how you can make the next audit even better...

Investing in the ten areas of effective audit execution covered in this guide provides the spine of a robust, high quality audit service.

Your teams spend less time performing low-value activities such as chasing client information or manipulating and re-keying data. They instead spend their time doing more interesting work, challenging the client and preparing valuable analysis in reports you are proud to present.

Happier teams. Happier clients. A desire to work together more frequently.

## Navigating this Guide

There are active hyperlinks embedded throughout this guide highlighted in **orange bold font**. If you are reading this in print form, please note that you can see any or all of these techniques brought to life by visiting <https://signup.inflosoftware.com/>

## Supporting a Better Approach

These tips build on our audit planning guide, where we walked through our 10 best practices for valuable audit planning. Our execution tips deliver across the core benefits of elevating the quality and efficiency of work and increasing the value clients receive:

	Quality	Efficiency (Auditor)	Efficiency (Client)	Client Value
<b>Fundamentals</b>				
1 Better Data	Yes	Yes	Yes	
2 Flexible Working		Yes	Yes	
<b>Fieldwork</b>				
3 Testing Strategy	Yes	Yes	Yes	Yes
4 Management Override of Controls	Yes			Yes
5 Revenue Approach	Yes	Yes	Yes	Yes
6 External Confirmations	Yes	Yes	Yes	
7 Engagement Management		Yes	Yes	
<b>Completion</b>				
8 Client Reporting				Yes
9 Technology Integrations		Yes		

Read on to discover how to implement fundamentals as well as quick wins across the fieldwork and completion phases of your audits to provide more valuable services to your clients.

## Complimentary Resources

Want to see these techniques brought to life? Why not:

- Implementing these tips couldn't be easier. **Sign up** for free and review our demonstration client to see for yourself.
- You can also watch our **webinar** discussing this guide and showcasing these tips using the demonstration client.
- Share the benefits of **Inflo with your clients**, including our **animated video**.

And to enhance planning work access our **Valuable Audit Planning guide** and watch our related **webinar**.

## 1

## Better Data

Gaining access to data from client accounting systems opens many opportunities to advance the effectiveness of audit execution. It also reduces your reliance on client contacts to provide reports or iteratively engage with your team to perform testing.

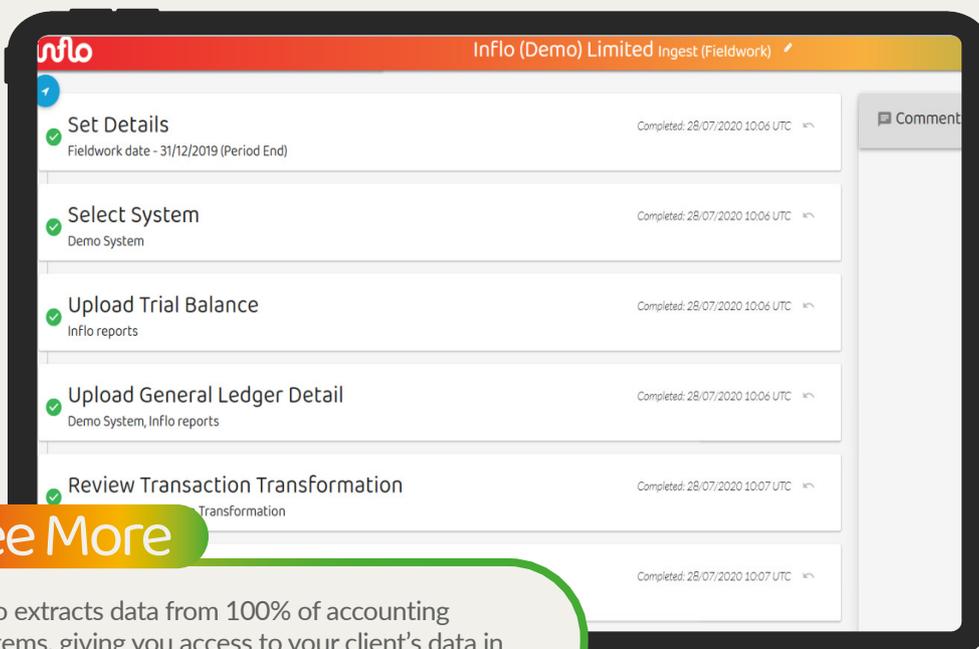
It also allows you to better project manage across a portfolio of client engagements. You can deploy your resources and utilise staff more flexibly to perform work earlier and remotely. Examples include performing risk assessment, sample selection and testing.

Version control issues are eliminated through greater diligence and management of the information being tested. This allows your team to focus on executing the audit without having to wrestle with reconciliations and tie together numbers which are moving.

You can even consider the involvement of tax or advisory specialists and the need for other expertise at a much earlier point in the audit. This allows colleagues access to the information they need to support your services and share valuable insights with clients.

### Pro Tip

Re-assess your processes to take full advantage of the opportunity of having full access to your client's accounting system data at various stages of the audit



### See More

InFlo extracts data from 100% of accounting systems, giving you access to your client's data in consistent usable formats.

# 2

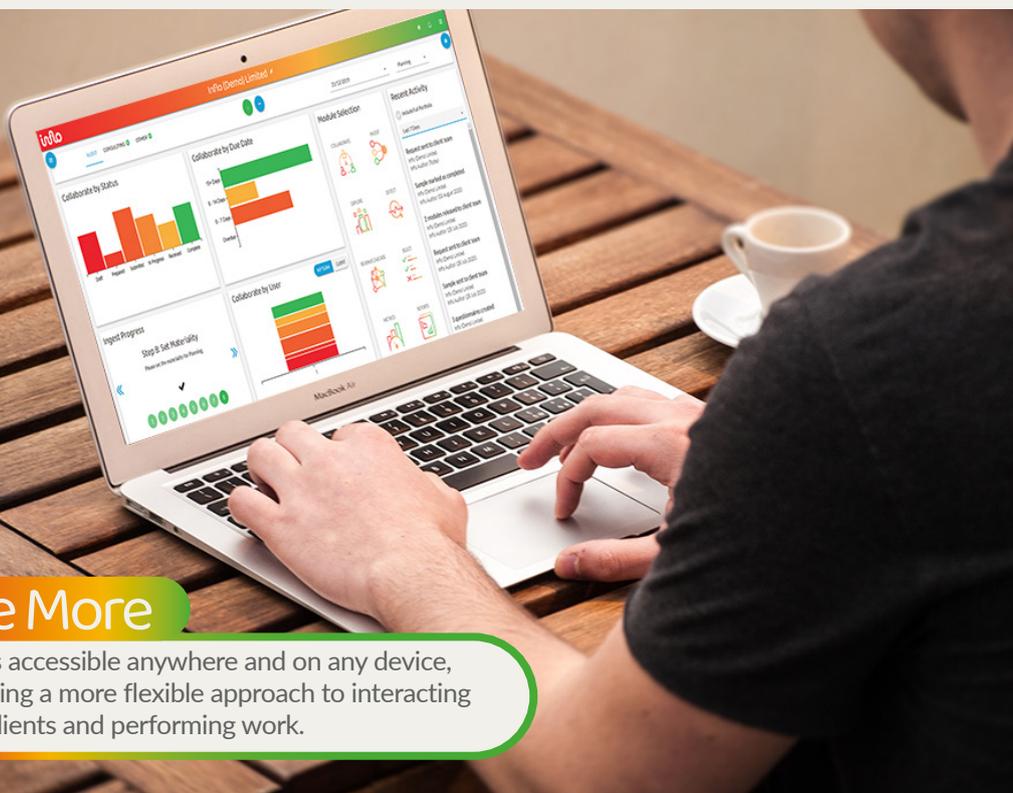
## Flexible Working

Effective digital collaboration is a key driver to increasing the transparency between your team and client contacts. When deployed broadly across client portfolios, benefits expand beyond engagement efficiency and client experience.

Such collaboration offers a genuine ability to unlock a more flexible way of providing services to clients and to your team performing their work.

Examples of opportunities available include:

1. Staff can work on information available across their client portfolio whether on-site or remote. You can also identify ahead of time over or under utilised staff or clients missing delivery deadlines to reallocate workload.
2. Access anywhere and on any-device, gives you easier oversight of engagement progress.
3. Client documents being held centrally, allows sickness or general redeployment of teams to be made seamlessly. Your staff can effectively work remotely, improving flexibility for them and your clients while reducing travel time and out-of-pocket expenses.



### See More

Info is accessible anywhere and on any device, providing a more flexible approach to interacting with clients and performing work.

4. Automated reporting provides analysis of information delivery to the agreed timetable, improving debrief meetings and overrun discussions.
5. Certain activities can be centralised, removing administrative work from your team, boosting morale and freeing them to add more value to clients.
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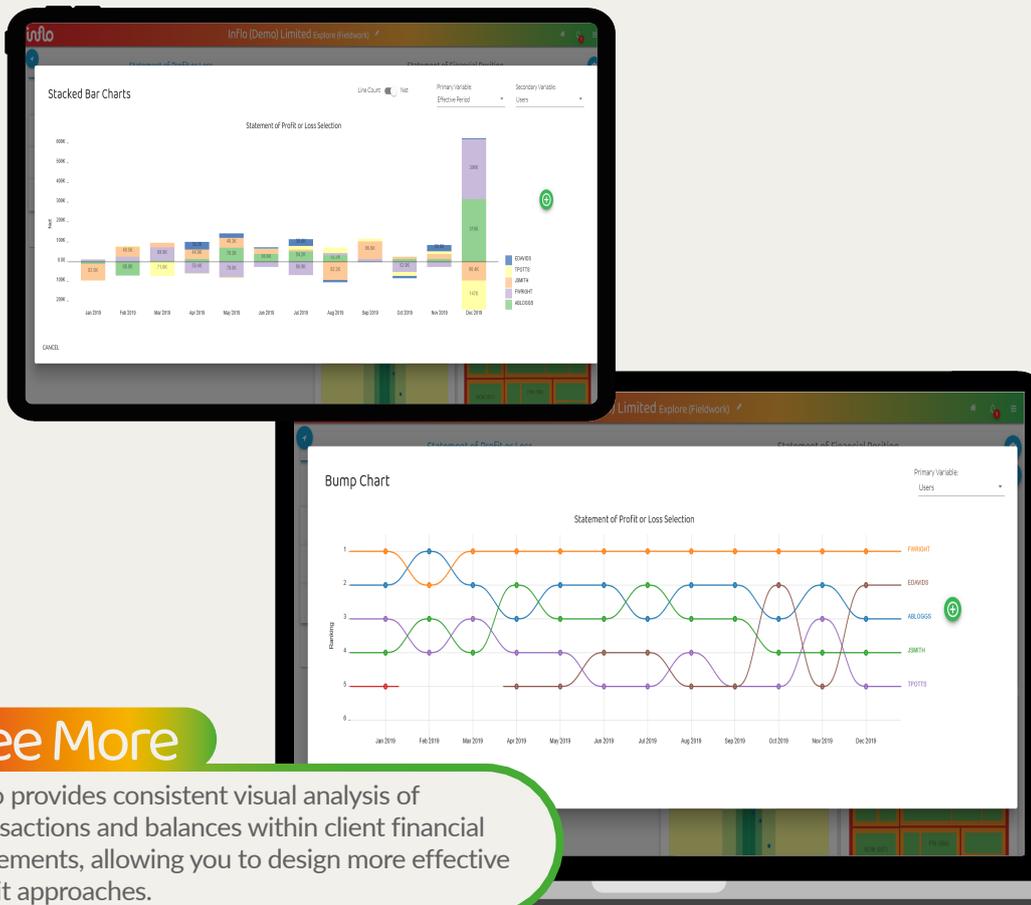
# 3

## Testing Strategy

Considering the nature of the balance or class of transactions to be tested against the defined risks is key to an efficient and quality audit approach.

Where available, client knowledge accumulated in prior years can be a valuable aid to this. But an over reliance on previous approaches can be inhibiting and auditors should employ caution.

The most effective audit approach is dependent upon key characteristics of this year's population of transactions or balances. For example, does the population include individually significant transactions? Is the population homogenous or should it be stratified? Are there characteristics which indicate heightened risk which can be targeted?



### See More

Info provides consistent visual analysis of transactions and balances within client financial statements, allowing you to design more effective audit approaches.

## Pro Tip

Targeting individually significant or higher risk transactions can provide sufficient, appropriate evidence even when untested amounts are material.

Such consideration also allows for highly effective dual-purpose testing, to combine substantive testing with work over controls or for value purposes.

For example, when designing a test of property, plant and equipment additions, a review of authorisation controls could also be performed, with authorisation limits compared to those seen in comparable organisations. This delivers both a high-quality audit test as well as interesting insights you can share with clients for limited additional effort.

## 4

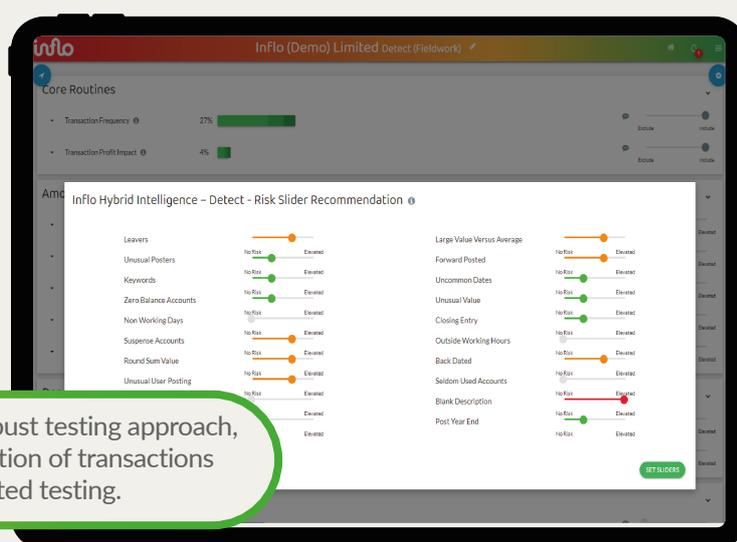
# Management Override of Controls

Performing appropriate audit work to address the risk of management override of control and fraud has become increasingly complex. The expectations of regulators and external stakeholders has greatly increased as auditors are expected to perform robust procedures to address the risk of fraud.

Journal entry testing forms a core part of any audit approach. With the risk present in all organisations, and with fraudsters becoming more sophisticated, rarely is it acceptable to focus solely on financial statement journal entries. An effective audit approach must appropriately address the risk of fraud occurring throughout the year.

Our recommended steps for designing an effective and robust testing strategy:

1. Obtaining appropriate data - complete extracts of 100% of transactional data from client accounting systems for analysis,
2. Data transformation, validation and completeness verification - reformatting the raw data extracts into a reviewable format and verifying all transactions have been obtained, typically via a full trial balance reconstruction,
3. Defining the population - determining the transactions which should be exposed to testing procedures and if any should be excluded,
4. Identifying high-risk transactions - selecting the transactions from the population requiring investigation and testing,



## See More

Inflo provides you with a robust testing approach, exposing a complete population of transactions to consistent and sophisticated testing.

5. Investigating and testing - obtaining and reviewing appropriate supporting evidence for the transactions selected for testing,
6. Documentation - recording all stages of the process, including detailed evidence supporting the appropriateness of transactions selected for testing.

These steps implement a robust testing approach to address the risk of management override of control via entries to the accounting system. Giving you more time to think about the broader risk.

## Pro Tip

Analysing all transactions is typically more effective than the work required to exclude certain transaction types from testing, e.g. automated postings.

## 5

# Revenue Approach

Traditional substantive audit methods often prove to be challenging when testing revenue. Sampling necessitates large testing volumes and substantive analytics is often impaired by an inability to define independent expectations and corroborate variances.

To aid fraud consideration and design the approach over the non-fraud risk of material misstatement auditors should segment the revenue balance into different revenue streams and differentiate between the fraud and misstatement risks.

Different revenue streams may have different recognition criteria, transaction profiles, fraud opportunities and potential methods of misstatement necessitating different audit approaches.



## See More

Inflo traces the flow of 100% of transactions through the revenue and receivables cycle to provide you with advanced risk assessment and new substantive testing techniques.

A more innovative audit approach incorporates data analytics which analyse 100% of revenue transactions. You can use such techniques to perform advanced risk assessment analytics to reduce substantive procedures.

Alternatively, your work over other balances related to revenue can be leveraged to obtain a new form of substantive audit evidence and replace other testing. Such techniques allow auditors to focus on higher-risk transactions yielding a more robust, valuable and efficient audit approach.

## Pro Tip

Focus on the assertions relevant to fraud and non-fraud risk of misstatement across each revenue stream.

## 6

## External Confirmations

External confirmations provide robust third-party evidence over balances within an organisation's financial statements.

However, all too often a lack of transparency across the confirmations process causes issues in obtaining requested confirmations. This ineffectiveness causes alternative procedures to be required late in the audit process.

As a critical test, the confirmation of bank balances, debt balances and other terms an organisation holds with financial institutions addresses a key risk witnessed in some of the largest accounting frauds. Financial institutions are increasingly requiring audit confirmations to be performed via technology like CONFIRMATION, replacing the traditional mail approach.

The screenshot displays the CONFIRMATION software interface. At the top, there's a navigation bar with 'USER PROFILE', 'NEED HELP?', and 'LOGOUT' (John Auditor). Below this is a dashboard titled 'Your Confirmation. Dashboard'. It features several key sections:
 

- CLIENT LIST:** Includes a search bar and 'Recently Viewed' items like 'Your Largest Client', 'Audit Client Company', and 'ABC Company'.
- STATUSES:** A summary of confirmation statuses: Pending (8), Completed (0), Need More Info (0), Denied (0), and Future Dated (0). It also shows Client Authorization: Pending (0) and Received (1).
- REPORTS:** Offers actions like 'Download Completed Confirmations', 'List available In-Network Responders', 'Generate a Billing Summary', 'Export the Confirmation Control Log', and 'View a summary of Daily Statuses'.
- QUICK LINKS:** Provides shortcuts for 'Add New Client', 'Add Client Accounts', and 'Request Client Authorization'.
- STATISTICS:** A pie chart showing the distribution of confirmations: Financial (82.50%), Legal (12.50%), AP (12.50%), and AP (12.50%).
- UPDATES:** A list of recent system updates and notifications, such as 'Notification: Fees & Credit Policy...' and 'Credit Inquiry - Upload Client Authorization Now Available...'.

### Pro Tip

Initiating confirmation procedures immediately after client's close their ledgers maximises your confirmation opportunity.

### See More

Info quickly and easily performs external confirmation of balances in partnership with CONFIRMATION (part of Thomson Reuters), the leading global provider of external confirmations.

Beyond financial institutions, external confirmations can provide strong audit evidence over areas such as receivables, payables and with the legal advisors.

Higher response rates on a more timely basis can now be achieved by technology. Features such as online confirmation and automated follow up mean confirmations are often superior to alternative audit tests. This is particularly true for engagements where customer credit terms extend beyond tight reporting deadlines, impacting post year end procedures.

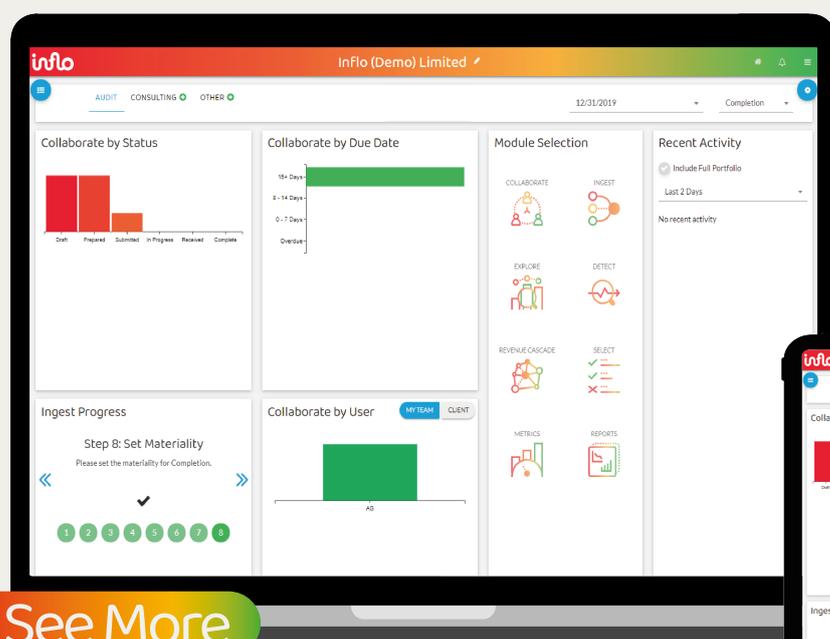
## 7

# Engagement Management

Delivering profitable audit services relies upon your team, your client and many other factors. A key component is resource planning - having the right staff allocated to the right client at the right time.

Resourcing constraints present in almost every accounting firm, particularly in busy season periods, places an increased reliance on timely delivery of information from client contacts. Delays result in either complicated redeployment of teams or sub-optimal work being performed on available information.

Even where client delays are known to have impacted the profitability of the audit it can be challenging to quantify or recover additional fees. Records of delays might be manual or considered subjective, meaning audit leaders must apply discretion in balancing engagement profitability with client relationships.



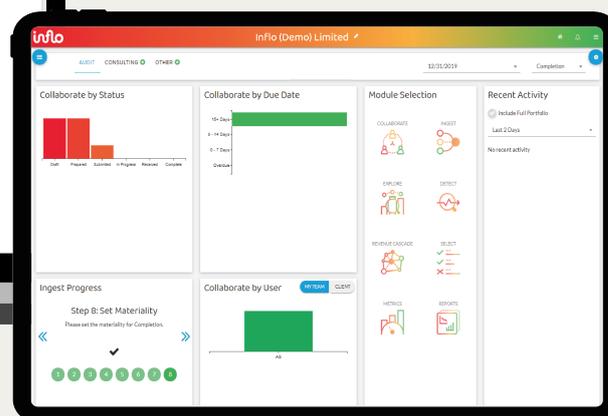
## See More

InFlo provides real-time status of client information delivery and project manages engagements for you against agreed deadlines.

To eliminate subjectivity, clear deadlines should be agreed with client contacts in advance of fieldwork, along with the roles and responsibilities of individuals on both the client and engagement team. A single method of information exchange should be agreed which can provide objective and transparent recording of delivery against deadlines.

## Pro Tip

Being clear of the linkage between fee quotes and information delivery aids overrun discussions.



# 8

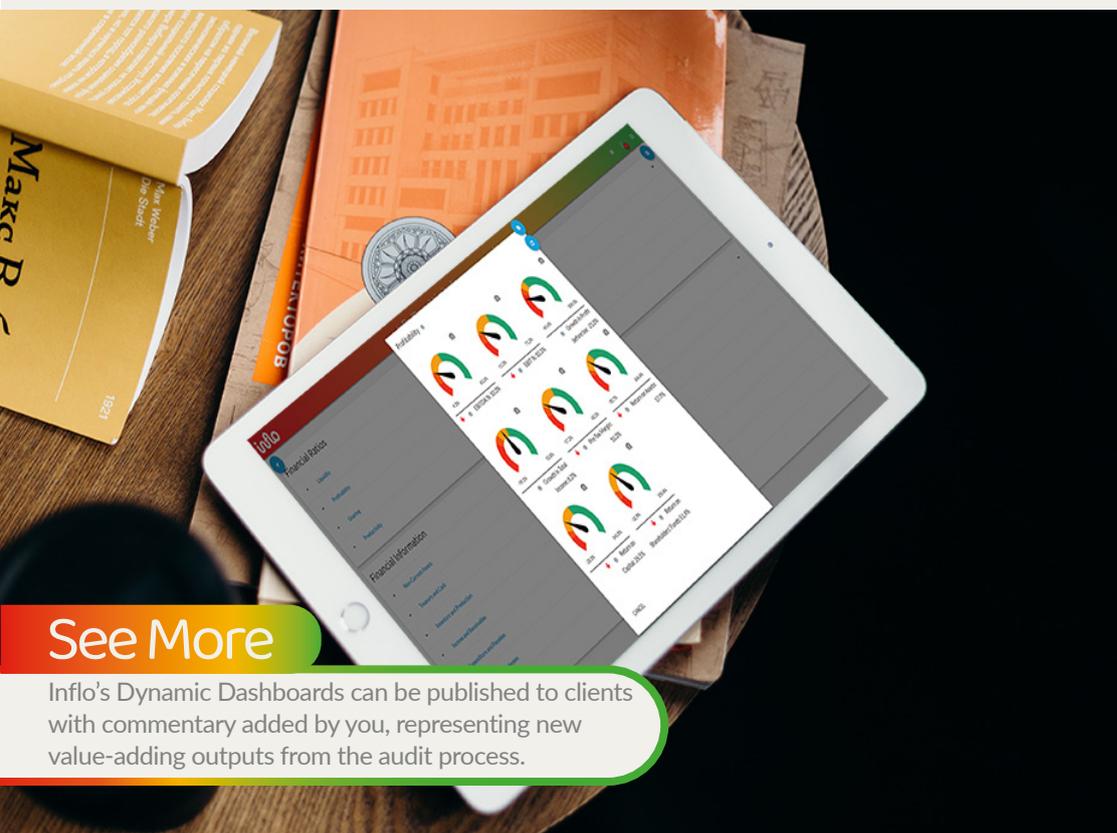
## Client Reporting

There are limited opportunities for you to deliver tangible outputs from audit services. Beyond meeting formal reporting requirements, client reports offer the ability for you to articulate the work being performed and the value of the audit to clients.

Traditional outputs can be enhanced through incorporating visualisations within reports, offering you an opportunity to tell the story of how the audit has been performed. This commonly opens dialogue with clients regarding business and financial risks, control observations and findings from testing.

### Pro Tip

Planning for the delivery of client reports before commencing work allows more valuable insights to be collected during the audit process.



### See More

Info's Dynamic Dashboards can be published to clients with commentary added by you, representing new value-adding outputs from the audit process.

Advancements in technology allow for new outputs and interactions to be possible. You can share Dynamic Dashboards with clients, where the results of data analytics are presented in a client view. Beyond simply publishing dashboards to client contacts for their independent review, you can add further value through commentary or presentation.

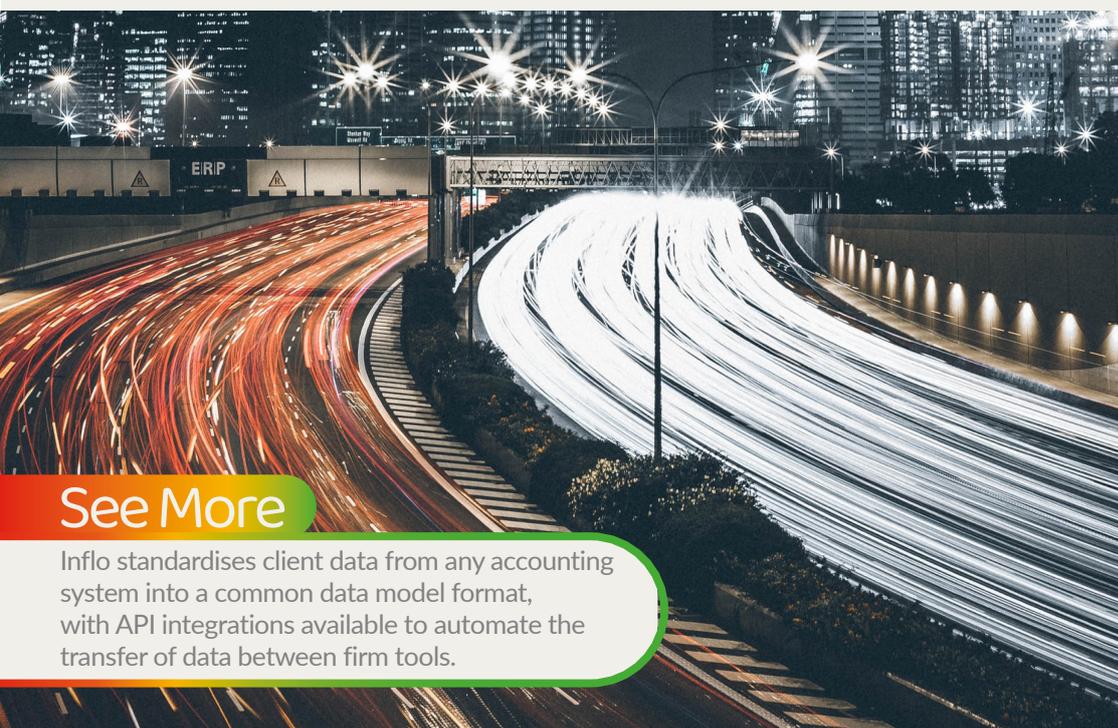
Moving on from retrospective analysis, greater focus can be given to the future and how management and those charged with governance monitor and mitigate ongoing risks. Benchmarking analysis also allows you to provide a unique perspective on the organisation, moving to a broader evaluation against relevant peers.

## 9

## Technology Integrations

Rarely do accounting firms employ only a single technology for the delivery of services to clients. The existence of disparate, disconnected tools creates inefficiencies and more broadly causes a lack of confidence in data used to perform different accounting services.

Access to structured data underlying an organisation's financial statements changes this dynamic. You can map the data journey, from the client accounting system through to each technology within the accounting firm. Each service's technology can be provided the right data in the required format, with any adjustments captured throughout the life cycle to guarantee accuracy.



### See More

Inflo standardises client data from any accounting system into a common data model format, with API integrations available to automate the transfer of data between firm tools.

Such an approach also improves client experience, presenting a collaborative approach across the different departments performing compliance and advisory services. Other integrations to manage users, client metadata and engagement details establish efficient new processes and improve your staff's experience.

With manual effort removed from areas of administration and data entry your teams have greater capacity to identify and deliver valuable services.

### Pro Tip

Standardisation of processes is critical to integration and automation.

# 10 Debrief

In the spirit of continual improvement, there are always lessons to be learned and benefits to be gained from debriefing an audit engagement. While many teams focus internally on execution effectiveness, involving the client in the debrief process demonstrates the investment in improving the whole audit experience.

Metadata regarding engagement performance can provide important insights regarding where delays were experienced, which areas were the most challenging during the audit and how work could be rephased.



## Pro Tip

An open debrief can lay the foundations for repricing next year's work based on value – what does the client want from you as auditors and how could next year's scope of work advance.

## See More

Releasing Inflo's Dynamic Dashboards to client contacts provides new outputs and showcases to clients the value of technology use in the audit.

As firms increase their use of technology, the client debrief can collate valuable feedback as to where clients benefited from new approaches and how to progress future use.

New outputs and alternative approaches can also be discussed. This introduces new ideas and ways of working together, such as providing analytics-as-a-service throughout the year (often a quarterly or monthly basis), or even a more continuous audit approach. This focuses the client interaction on value to them, but also drives natural fee growth for you.



Growing Your Value

# Start Today

Implementing these tips couldn't be easier.

Sign up for **free today** and review our demonstration client to see for yourself.

Or take advantage of one of our new-firm packages:

- Sign up to our **Starter** package to implement the 4 client collaboration techniques in this guide on an unlimited number of client engagement.
- Or sign up to our **Pro** package to implement all 10 of the techniques in this guide on an unlimited number of client engagements.

Our **Enterprise** package is for larger or more complex implementations. Contact [sayhi@inflosoftware.com](mailto:sayhi@inflosoftware.com) to discuss, or if you have any other questions.



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