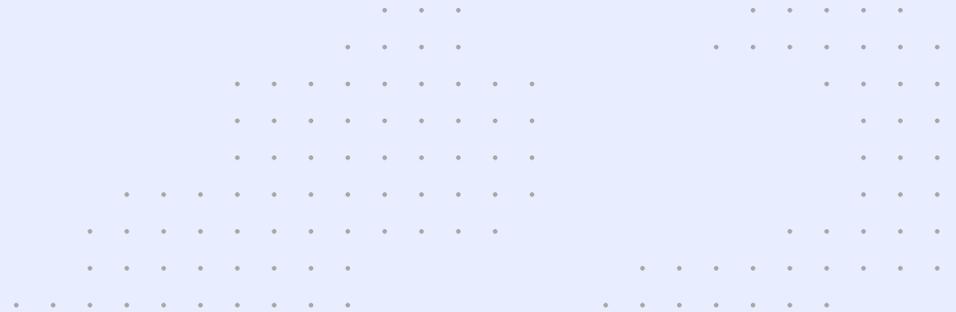




# The '3 Cs' of Successful Audit Transformations





## Key concepts shaping the future of auditing

The concept of “audit transformation” is not only a confusing one for most certified professional accountants — it’s intimidating. The term suggests significant amounts of work, perhaps even upheaval. For firms with an already-packed executive agenda, audit transformation may remain elusive — particularly for those unconvinced that the audit world is changing as quickly as some contend, or so significantly, that full-blown transformation is required.

With larger shifts in client operations and systems, however, transformation is inevitable. Many of these changes are already underway. This eBook will examine four key trends that are driving this rapid evolution, each driven by improvements in technology.



## Factors driving audit transformation

Cloud capabilities and paperless transactions and services were only the beginning. Today, disruptive developments in AI, machine learning and blockchain are already changing the business world, including the accounting profession. New technologies are creating original opportunities for auditors to reimagine how they perform the audit to drive a more exact focus on higher-risk areas and inform greater insights and value to clients.

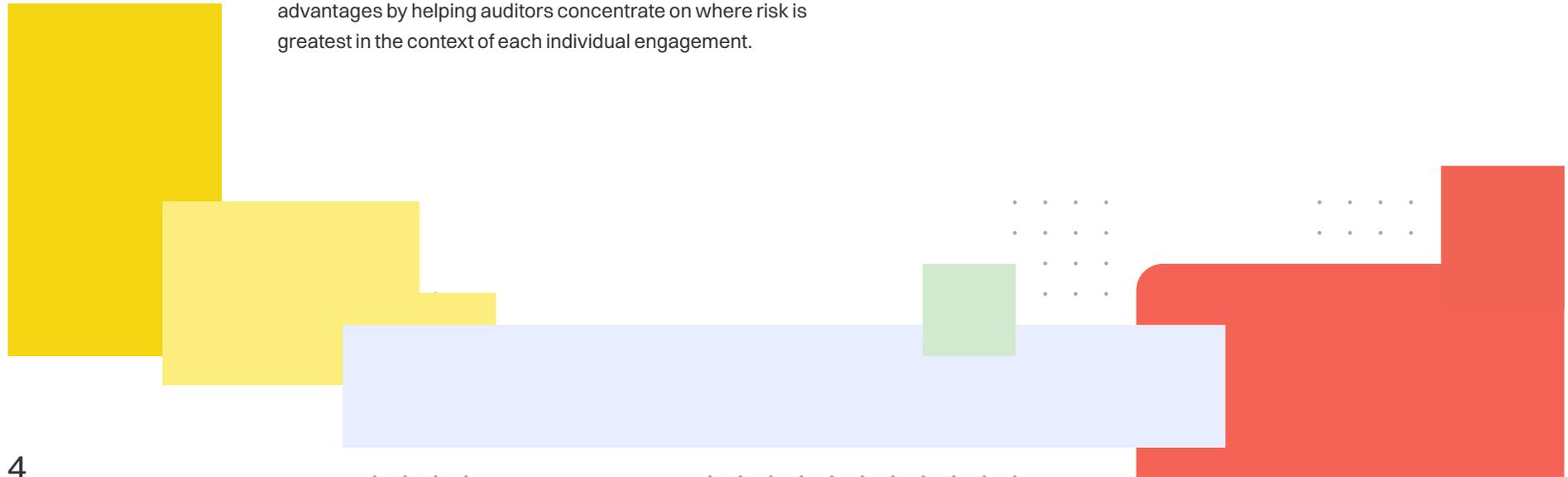
Despite this, many firms have not succeeded in identifying their strategies for taking advantage of these advances. Rather than proactively transforming to meet this new reality, they are responding on an ad hoc basis.

Technology is clearly important for transformation, but it must be considered in parallel with an evolution of audit methodology and related standards. Today, the profession's response to these developments has taken on added importance as new tools and technologies have made it possible to realize more than just value around mere compliance, but indeed long-term business value.

Consider automation capabilities. They can foster consistency and standardization of service delivery across client engagements, using regulatory compliance as a starting point. Increased use of data analytics and machine learning can bring countless advantages by helping auditors concentrate on where risk is greatest in the context of each individual engagement.

Standards will need to evolve to keep pace with changes in these areas. It is already clear to accounting practices that audit transformation requires them to develop new skills and talent to address disparities in digital intelligence, critical thinking and data analytics.

The following is a transformation primer that addresses each dimension in detail, with the aim of helping firms that are proactively seeking to drive these crucial changes.





## Defining transformation

Given the many ways in which the word “transformation” can be interpreted, it may help to think about it in three distinct categories: Methodology (the process and procedures followed in execution of the audit); Execution (coordinating beyond methodology); and Experience (the ways in which clients and professionals interact and execute).

These categories present firms with a starting point. Their individual approach to implementation and change management will be crucial in attaining success in each one. Ultimately, success is not about simply enhancing processes, but in fact establishing a new way of operating.

How can firms successfully advance from where they are today to a truly transformative approach to the audit? Each organization's audit transformation can and should take its own path, based on size, client needs, business goals and strategies, and current maturity levels in everything from technology infrastructure to processes and methodologies. In all instances, three critical touchstones — known as the “3 Cs” — should guide the efforts of each firm: Cloud, Connect and Create. Let's look at each one.



## The first 'C': Cloud

While cloud technology is not new, its impact on accounting has grown exponentially in recent years. This is illustrated by the growth of online accounting tools such as QuickBooks Online, Xero, Sage Intacct and others. Many firms have also adopted cloud-based file-sharing tools such as ShareFile, DropBox and Google Drive to better secure files and centralize client collaboration. However, these advances have often been piecemeal. Most firms are still defining and developing their more comprehensive cloud strategies.

Firms that have successfully adapted their cloud strategy to support transformation point to three pieces of advice that can help focus an initiative:

- **Consider cloud to be an ecosystem challenge.** Choosing the right individual cloud solutions is important but should not be done in isolation. Carefully consider how the complete ecosystem of cloud-based tools and solutions can be pulled together to meet both firm and client needs.

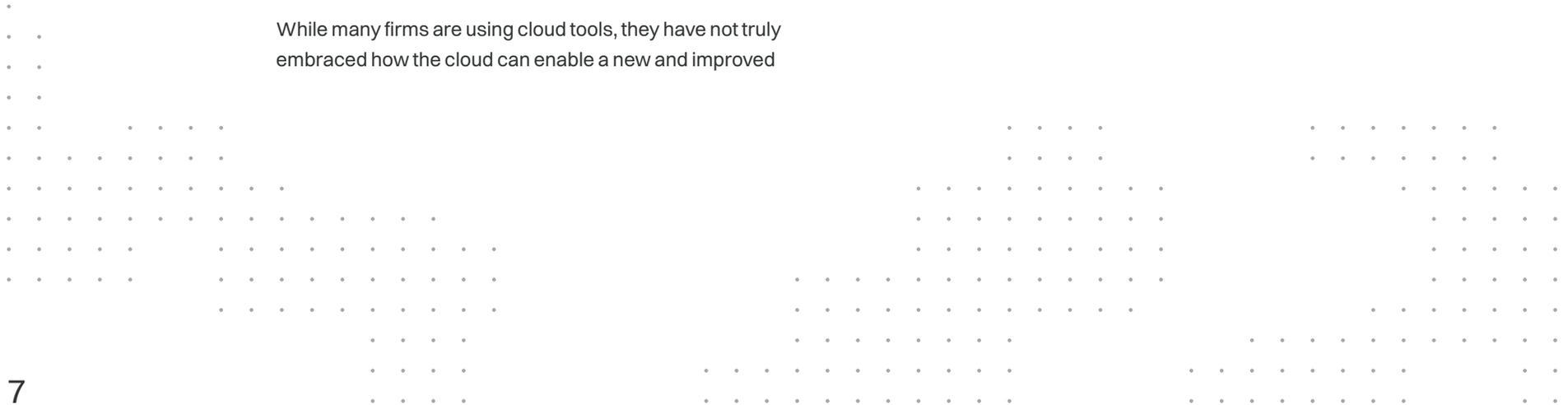


- **Prioritize client and firm challenges.** Just because a challenge can be addressed with cloud capabilities does not mean it should be. Prioritize cloud-relevant challenges to clarify where the firm should focus its efforts, and where it can get the most return on its time and resource investments.
- **Don't merely duplicate — improve.** Some firms look to simply copy existing processes in the cloud. This usually results in small efficiency improvements. Moving to the cloud presents a much more significant opportunity to create sustainable improvements. Cloud-based transformation should be used to find ways to improve how the firm works, not just to make small updates on existing approaches.

approach to client collaboration. However, an integrated PBC functionality with your audit application can prepare your staff and clients for a new experience with greater efficiency.

Evaluating and implementing new cloud-based technology solutions takes significant effort and dedicated resources, starting with time and people with relevant skills. With careful planning, however, firms can lay the groundwork for making a successful, non-disruptive transition to the cloud. For example, by implementing and testing new capabilities into the audit workstream gradually over time, staff have shown themselves to be more receptive to changes — a critical factor in facilitating smooth transitions.

While many firms are using cloud tools, they have not truly embraced how the cloud can enable a new and improved





## The second 'C': Connect

From a methodology standpoint, connecting is about enabling a truly data-driven audit through a fully-integrated workflow. This equates to using client data and auditor knowledge to drive a dynamic linkage of understanding the entity, to the identification of risks, to related controls and procedures. Connecting also means engaging directly with clients. It touches on matters such as

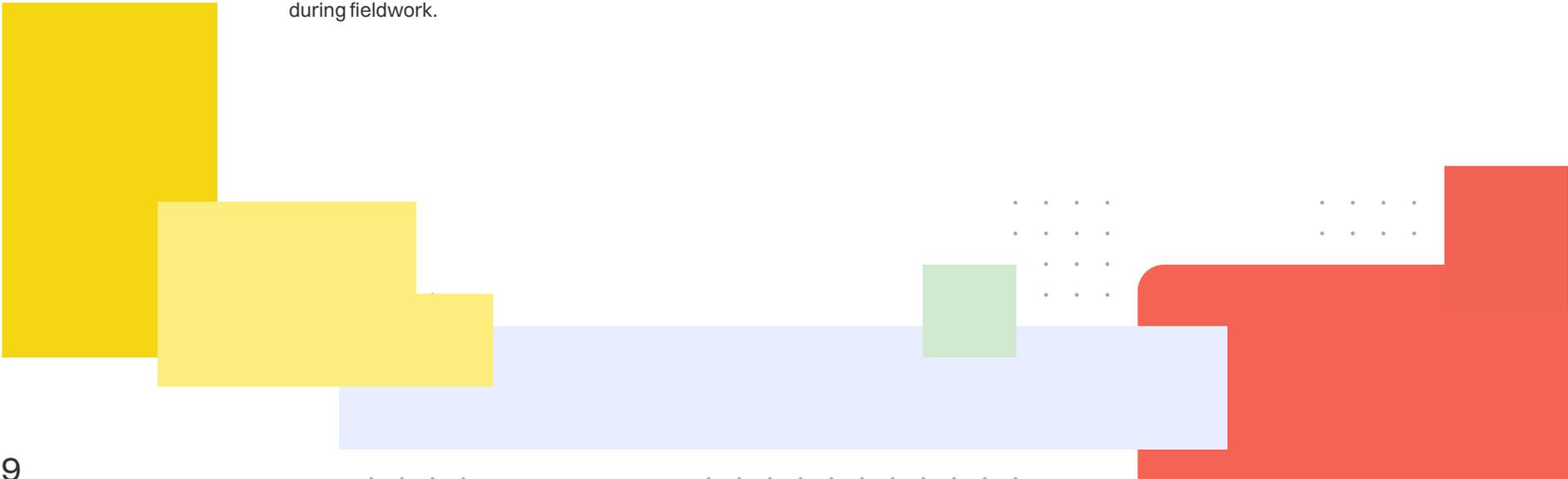
obtaining relevant information from clients, and how clients, in turn, get the information they need from the firm. It also addresses how these activities connect with the overall client relationship. This approach can help guide successful audit transformations from the perspective of facilitating client interaction and collaboration.

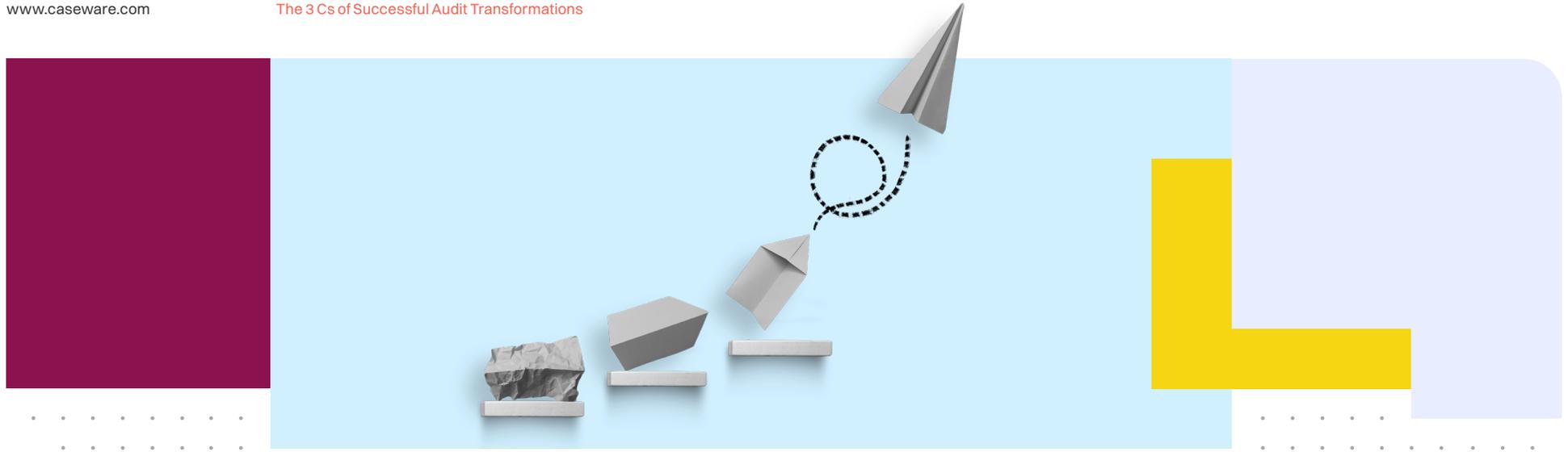
Connections in the following areas should eventually happen seamlessly through the course of the audit, with little to no extra effort required:

- Drafting the appropriate language on an engagement letter, based on input from the auditor during engagement planning.
- Optimizing relevant documents and procedures based on input from auditors during engagement planning and fieldwork.
- Including appropriate disclosures based on input from the auditor during fieldwork.

- Letting auditors know that the choices they made may be non-standard, or in conflict with standards.
- Linking client PBC documents and requests with the applicable steps or procedures — at the time the information is relevant .

For many firms, these actions still require manual processes and redundant effort, which often result in inferior outcomes. Seek completely new ways to connect when deciding how to transform your audit.





## The third 'C': Create

“Creating” is all about developing a new methodology that maximizes the potential of technology to transform the audit. A new methodology, supported by newer technology such as machine learning, will help enable auditors to audit more effectively. It does so mainly by helping refine the focus to only what matters for the audit.

If a firm could create an original methodology from the ground up, enabled by the latest technology, what would it look like?

This is the question firms should be answering in the Create stage of transformation. Leaders in the profession are already seeking to answer this very question to create a clear picture of the modern audit, enabled by technology advances.

## Transform on your own terms

Transformative developments have reshaped business over past decades, from the rise of the internet to mobility, cloud computing and more. In each case, some companies embraced the change, while others waited for developments to unfold before jumping in.

Ultimately, however, they were all transformed. The difference is that those who took a proactive approach were able to evolve on their own terms, while those who took a reactive, wait-and-see philosophy had less control over their transformation journeys.

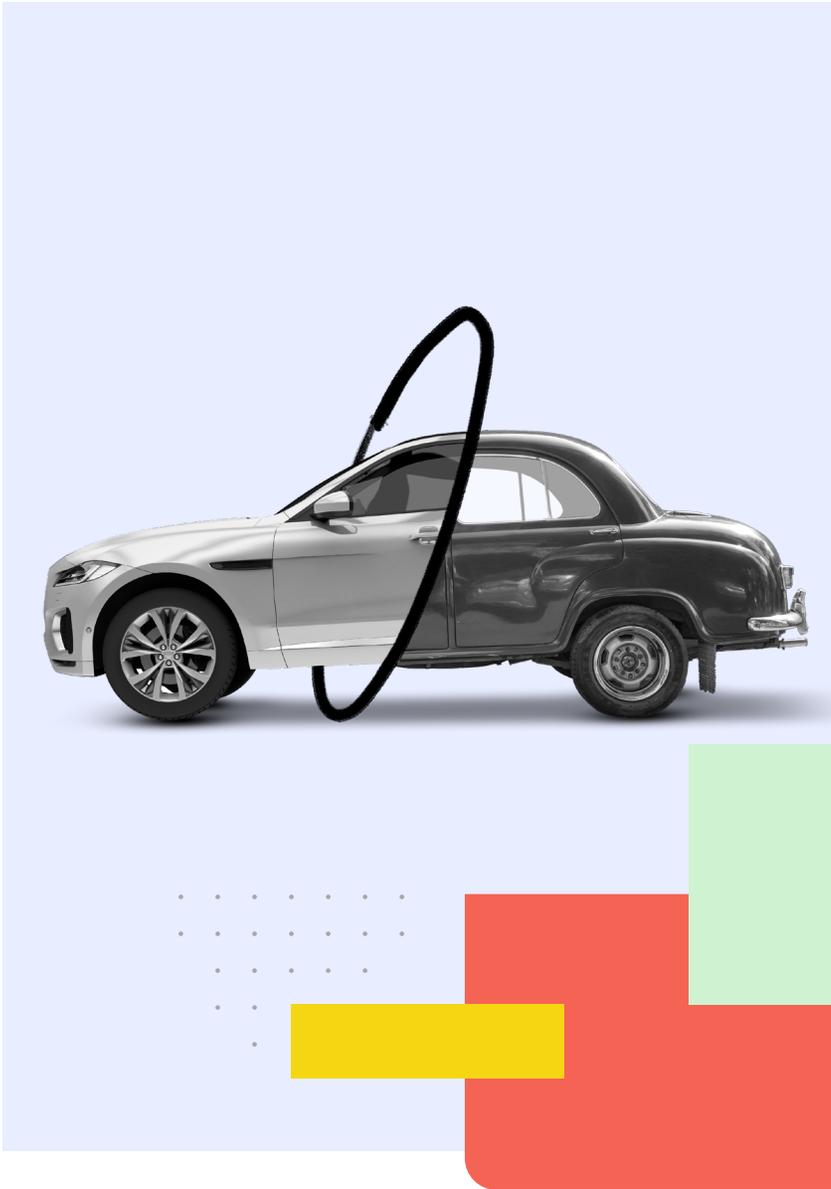
Audit transformation can, by its nature, be disruptive by design, introducing new challenges and revealing deep-seated cultural resistance to change. Therefore, active change management strategies are needed to help ensure the success of technology-enabled audit transformation projects. Key components of this strategy include creating positive anticipation for upcoming change and securing buy-in for it throughout the firm. It's a form of change management that is a skill — one

that can be cultivated, developed and applied following proven approaches.

A clear, disciplined approach to change management enables transformation plans to become everyday realities in the firm. By building trust and communicating openly across the firm, a transition team can have a positive impact on firm-wide perceptions of planned changes. Change leaders must:

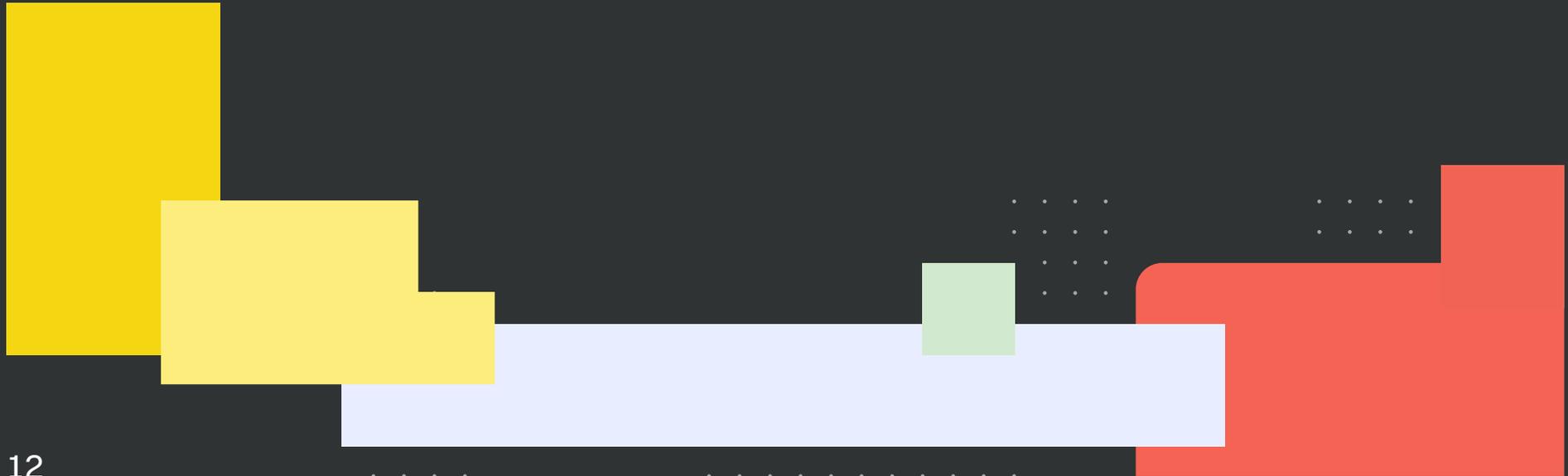
- Demonstrate the highest level of commitment
- Understand change cannot be forced on others
- Clearly communicate the advantages others will gain from it
- Deliver short-term wins and celebrate success

The journey of evolving your firm's auditing services to meet new business realities and client needs can and should begin today — and Caseware is playing a crucial role in helping firms enjoy successful transformations.



Discover how Caseware's groundbreaking solutions can elevate the efficiency, quality and value of your audit and assurance services and create a better experience for your staff and clients.

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**Caseware International Inc.**

351 King St E, Suite 1100  
Toronto, ON M5A 2W4, Canada

T +1 416 867 9504  
F +1 416 867 1906  
E [info@caseware.com](mailto:info@caseware.com)

[www.caseware.com](http://www.caseware.com)