

Remote Auditing

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Background

Supreme Audit Institutions (SAIs) are mandated to conduct various types of auditing activities in their respective jurisdictions. At present, the restrictions and challenges posed by COVID-19 pandemic have affected the audit work of SAIs around the world. In order to overcome these challenges and ensure smooth auditorial functions during the pandemic, the SAIs strongly need to align their audit work with the changing scenario and accelerate the movement of the auditing work toward using remote techniques to perform audit activities in a timely manner.

In the current COVID-19 scenario with travel and quarantine restrictions, a workable solution for conducting audit appears to be 'Remote Audit'. This phenomenon is supported by literature and is being practiced by some auditing firms. National Audit Office Australia (ANAO) has highlighted the importance of remote auditing in a recent BKP seminar. Similarly, SAI Tajikistan has referred to the concept of remote audit work as is evident from the Article published in ECOSAI Circular 2020 (Autumn issue). The INTOSAI Supervisory Committee on Emerging Issues has also recommended to INTOSAI Governing Board to foster further advancements in the area of remote auditing by SAIs in the wake of COVID-19 pandemic.

Remote Auditing

A remote audit in essence is the same as an on-site audit, difference being that the auditors engage via

technology in a remote audit. This is to say that a remote audit is an electronic audit that uses technology to review and evaluate compliance of entities. In a remote audit the documents and records are reviewed, interviews with relevant auditee staff are conducted and findings are evaluated by using a range of technology platforms such as Webex, Zoom, MS Teams, Goto Webinar, Whats App, Skype or Facetime etc.

Benefits of Remote Audit

Some of the important benefits of remote auditing are listed as under:

- Meeting the deadlines as per fixed schedule and time lines of the Audit Reports
- Reduced travel-time
- Traveling expenses are decreased through reduced travel of the audit team (s)
- Provides flexibility in terms of engagement of audit teams from different locations and stations

Information Security During the Remote Audit

The security and confidentiality of electronic or electronically-transmitted information is particularly important when auditing remotely. The same rules of confidentiality apply to remote audits as when audits are carried out face-to-face.

The audit teams are required to discard all information collected during both the planning and execution of the remote audit once it has been completed (except where information is classified as working papers and records). During the remote audit, no unauthorized recording (voice and /or video) shall be allowed. All reviewed information (voice and /or video) shall be used as evidence to support audit findings and conclusions only.

Challenges of Remote Auditing

Remote auditing may not be a complete solution for all challenges the COVID-19 has created for SAIs/auditors. Some important challenges and risks associated with remote audit are listed as under:

- Identification and assessment of risk in a remote audit poses a challenge to the auditors as entities may have implemented new systems and adopted innovative business processes in the wake of the pandemic. Moreover, the new processes may also have impacted the overall control environment of the entity
- Issues related to accuracy, completeness, relevance, and reliability of evidence and auditable record remains a question throughout the remote audit
- There is a possibility that auditors may miss to discover fraud, malpractice, or simple mismanagement when they are auditing an entity remotely instead of a face-to-face engagement. There is every chance that the auditor is unable to obtain the lower risk findings. This may affect the audit findings related to smaller entities, where ERE etc. comprises the major expenditure

The opportunity to present fabricated documents and to omit relevant information is increased. This may call for additional planning, some

additional/different audit procedures, or a follow-up once the barriers to a traditional audit are lifted

- Information Technology (IT), connectivity and relates technical issues
- Information security, cyber-attacks and hacking
- Staffing issues and change management
- Managing audit team interactions in a virtual environment i.e. lack of experience of auditors may hamper the process
- Communication issues and validation of audit findings as each observation is required to be discussed with the management before finalizing the report
- Quality management and control requirements and allied issues

Conclusion

Organizational readiness and the tone set at the top is a key to successful remote auditing. Moreover, creating awareness among the auditors through formal and informal means including focused trainings on remote auditing is a prerequisite for effective rollout of the new concept.

A remote audit is a dynamic process that evolves as it unfolds. It is auditor-led and guided and requires constant adjustments as the audit progresses. It is also important for SAIs to realize from outset, the underlying limitations of remote auditing and the risk of audit objectives being compromised. It is therefore imperative that future onsite work (traditional in-person audit) may be required based on the findings of the remote audit once the barriers to a physical site visits are removed (e.g., travel bans etc. are lifted).