

The background of the slide is a dark, textured collage of financial data. It includes a line graph at the top with a grid and axes, a bar chart on the left, a pie chart at the bottom right, and various tables of numbers. The overall color scheme is dark blue and brown with a white border around the central text area.

The Audit Expectation Gap and Technology

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Plan of the Day

- Why Audit?
- The Audit Expectation Gap
- The Promise of Technology
- Technology and the Audit
- Large Audit Firm's Technology
 - *Technology-Based Audit Tools: Exploring the Current State and Future Direction, Boland, Galunic, and Sherwood 2022*
- Implications

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Why Audit?



An independent examination

Compliance

Accountability

Credibility



**... to solve the principal
agent problem**

Reporting on the Agent

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ... and ... as of, Month Day, Years, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Challenges to Evaluating the Audit



Credence good

- Limited visibility
 - Restricted to outcomes
 - Hidden processes

Judgment

Materiality

The difference between...

The Audit
Expectation
Gap

and



What the public thinks
auditors do

What auditors are supposed
to do

The Audit Expectation Gap

Knowledge Gap

- What the public thinks auditors do
- What auditors do

Performance Gap

- What auditors do
- What auditors are supposed to do


Evolution Gap

- What auditors are supposed to do
- What the public wants auditors to do



Five Promises of Technology

Speed
Scale
Spread
Smarts
Asynchrony



Technology and the Audit

Substitution

Standardization

Automation

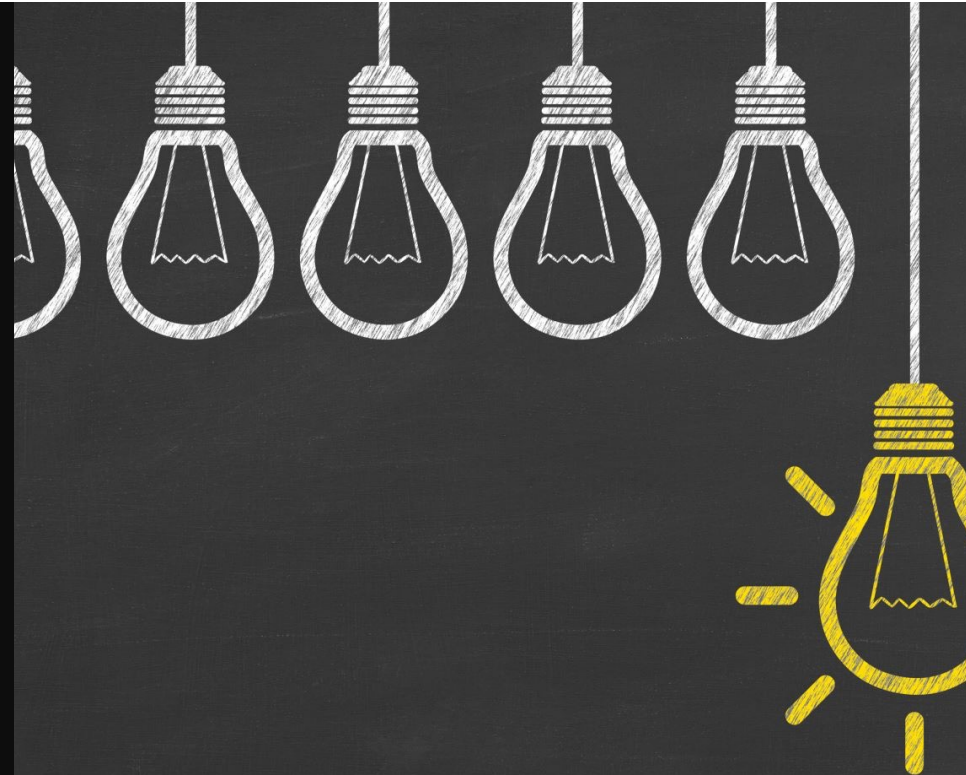
Augment decision making

Improve quality

Innovation

In process

Insights



Audit Tasks

Planning

Evaluate Evidence

Completion



Big Audit
Firm
Technology:
When?

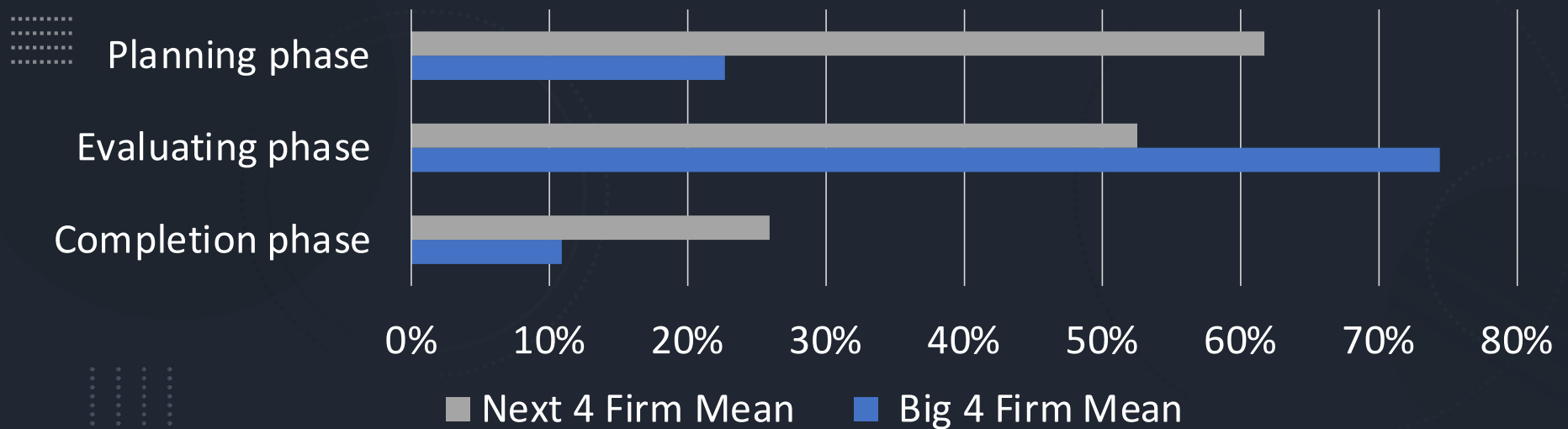


Planning



Evaluating

Tool Usage by Audit Phase



Evaluating Evidence: Supporting the Audit Opinion



Physical examination



Documentation



Analytical procedures



Confirmation



Observations



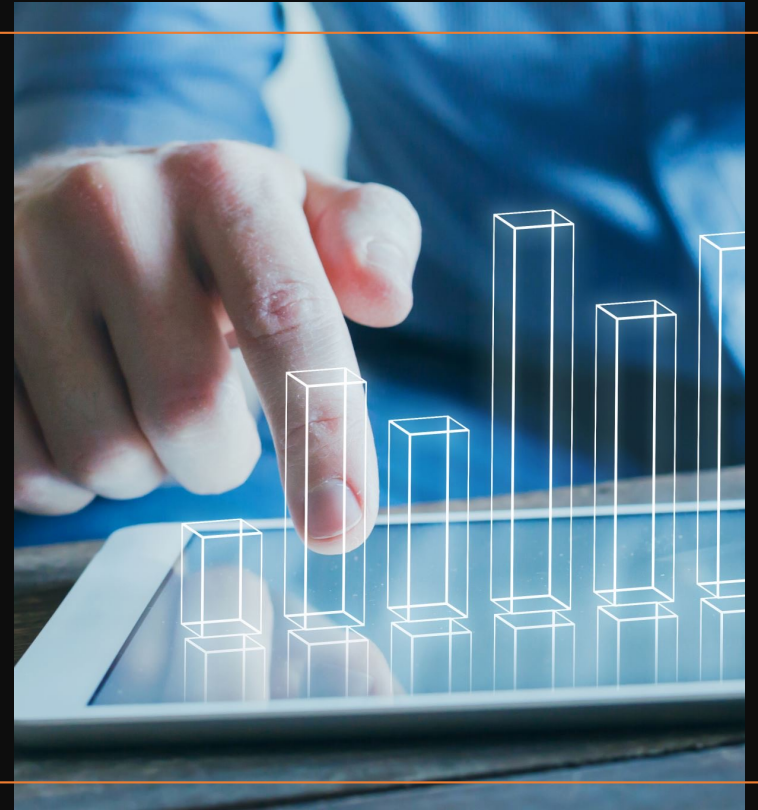
Inquiries

How does technology influence evidence preparation?

Process Standardization

Process Automation

Extraction, Transformation,
and Loading Data



How does technology map to evidence?

Documentation

- “Smart” workpapers
- Artificial Intelligence

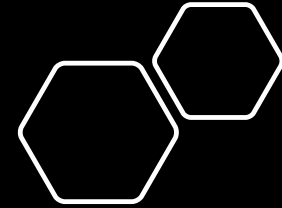
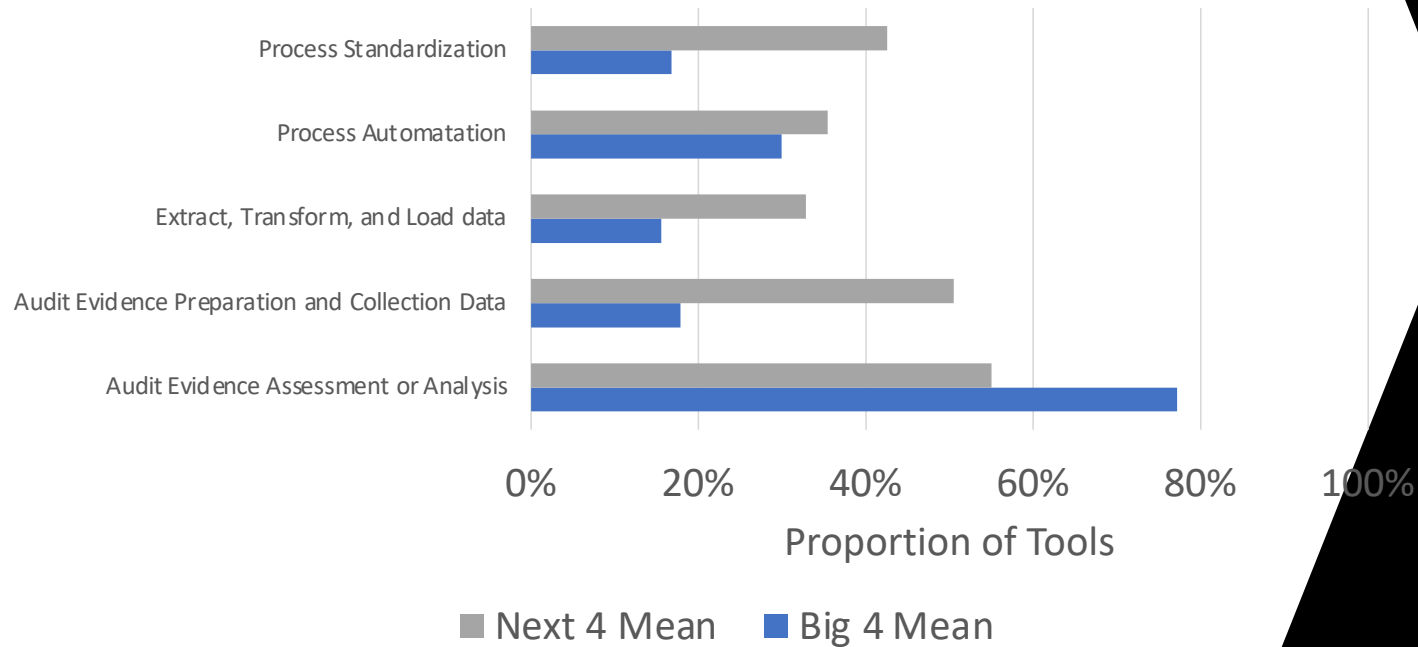
Analytical procedures

- Benchmarking
- Predictive analytics

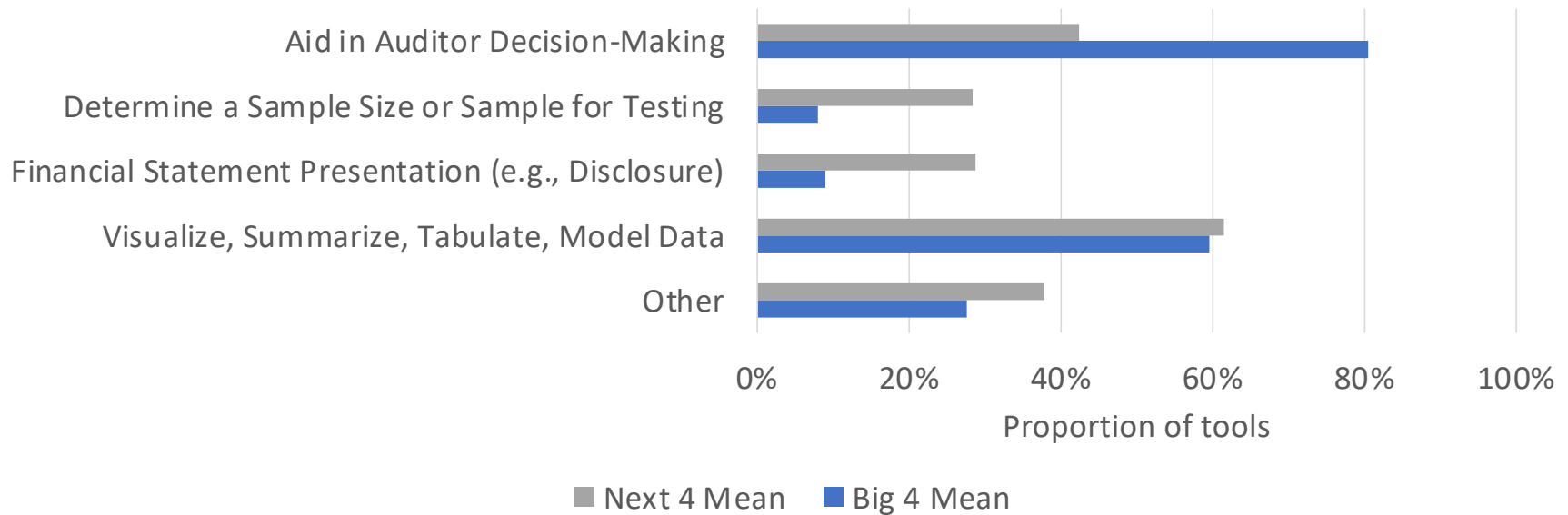
Confirmation



How are Big Audit Firms Using Technology?



What are Big Audit Firm's Using Technology for?



Tech Benefits: Decreasing the Gap

Quality control

- Compliance
- Standardization

Scale/Efficiencies

Aid for young staff





Tech Challenges: Increasing the Gap

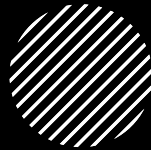
Scope

Fraud, error detection

Predictive expectations



Implications



Standard setting



Potential to change
the nature of an
audit



(pre)Staffing

Thank you!
