

Top reasons to move to a cloud-based audit manual

Wednesday, 29th November 2023

Useful Links Document

Q&A

1. ISA 315 included a number of key changes, almost one year on, what would you say most firms are struggling with?

Certainly the requirements around understanding the IT environment and controls, in particular General IT Controls, poses a challenge to some firms. Smaller firms, that may have adopted a purely substantive audit approach previously, have had to undertake additional work/training and sometimes IT environments are sufficiently complex to require external expertise that may not be present in the firm.

Mercia do have courses covering the new ISA 315 requirements and a course specifically on the 'Practical Aspects of Auditing Your Client's IT Environment':

[ISA 315 - Identifying and Assessing the Risks of Material Misstatement \[4679\] | Mercia Group \(mercia-group.com\)](https://www.mercia-group.com/isa-315-identifying-and-assessing-the-risks-of-material-misstatement-4679)

[Practical Aspects of Auditing Your Client's IT Environment – ISA 315 \[4882\] | Mercia Group \(mercia-group.com\)](https://www.mercia-group.com/practical-aspects-of-auditing-your-client-s-it-environment-isa-315-4882)

2. Are any other recent developments causing issues for audit firms?

ISA 540 (Accounting Estimates) – identifying key vs non-key estimates, also management bias

ISA 570 (Going Concern) – understanding that it is the audit of management's assessment, also the minimum period of assessment

ISA 240 (Auditor's Responsibilities Relating to Fraud) – the need for professional scepticism is still a top issue plus work around related parties (eg. the need to document all even those with no transactions)

ISA 315 (Assessing the Risks of Material Misstatement) – the concept of a spectrum of inherent risk and five new inherent risk factors to aid auditors in their risk assessment:

- *subjectivity;*
- *complexity;*
- *uncertainty;*
- *change; and*
- *susceptibility to misstatement due to management bias or fraud.*

Mercia provide a great outline in their 'Audit Update and Topical Issues' course:

[Audit Update and Topical Issues \[4045\] | Mercia Group \(mercia-group.com\)](https://www.mercia-group.com/audit-update-and-topical-issues-4045)

3. How does Caseware Cloud ensure that audit work is done efficiently whilst still meeting the increasing requirements of the auditing standards?

Clearly and logically laid out and easy to navigate to relevant sections and schedules the software increases staff efficiency along with clear reporting for managers and RI's of what work has and what has not been completed. The automatic updates ensures the methodology contains the latest standards. The planning section, all documents, risks, controls etc all roll forward smoothly to the following year ensuring rapid set up of the file.

4. How do we attract talent if competitors are offering WFH full time?

Offer flexibility and, more importantly, a tailored package (often what is attractive to one candidate won't be as appealing to another)

5. How effectively can home workers be monitored?

There are a variety of ways to measure productivity and countless tools to assist.

For example, any work performed within Caseware Cloud will leave an audit trail, making it easy to see who is working on what areas.

Regular 'check-ins' also help.

Be careful not to erode trust, however.

And keep in mind that studies show flexible working-employees are more productive.

6. What are the pros and cons of hybrid working?

Per [The impact of remote and hybrid working on workers and organisations - POST \(parliament.uk\)](https://www.parliament.uk):

Benefits of remote and hybrid working for staff can include:

- *increased wellbeing;*
- *self-reported productivity and work satisfaction;*
- *reduced work-life conflict;*
- *new ways to collaborate and more inclusive ways of working through the use of technology.*

Challenges can include:

- *increased work intensity;*
- *longer working hours;*
- *distractions;*

- *health issues;*
- *decreased social interactions;*
- *less promotion and learning opportunities and an inability to disconnect from work.*

We would also highlight:

- *Hybrid working allows employees (and employers) to choose a way of working that suits their circumstances and tasks (eg. quiet space at home, office for collaboration)*
- *Similarly, hybrid working may allow staff who have outside commitments to work around their availability (rather than taking time off or considering another role)*
- *Offering a flexible work environment does open the firm up to a wider range of talent as employees no longer have to live local to the firm or its client-base.*

7. How do I encourage team collaboration?

There are countless tools firms can employ to encourage team collaboration.

Teams, Zoom, even iPhone's facetime are all great ways for teams to connect.

Caseware Cloud also contains tools to aid team (and client) collaboration:

- *Client information request within Caseware Cloud makes it easy for clients to upload documents the firm has requested and will file these in the appropriate place*
- *Cloud based system means anyone can access provided they have an internet connection – aids real-time reviews (no longer do teams onsite have to wait for their audit manager to arrange an 'onsite day')*

Promote a 'camera on' policy and set up regular virtual meetings which include home and office workers.

Mercia offer a course on 'Hybrid Meeting Skills':

[Hybrid Meeting Skills \[5028\] | Mercia Group \(mercia-group.com\)](https://www.mercia-group.com/5028)

8. How do we embed new people if they are hybrid/WFH?

Offer virtual induction process.

Set up new starters with work buddies.

Build and promote a support network.

Set up 'in office' days with key personnel to aid training, if needed.

Make sure they have the right equipment and technology.

9. How often should I check in on home workers?

This really depends on the worker and their role so there is no 'one-size fits all' answer.

Things to look out for:

- *How do they present? Are they irritable, frustrated, confused?*
- *Are they working past their finish time?*
- *Do they seem down during virtual meetings? Are they withdrawn?*
- *Do they struggle to meet deadlines?*

And ways to help:

- *Ask how they are feeling*
- *Be open about discussing upcoming struggles they may be facing and the support they might need*
- *Be understanding and empathetic*
- *Don't be afraid to offer advice and support*

Regular short employee engagement surveys are a valuable way of understanding the general mood within your business.

Mercia offer a course providing 'Tips for Effective Management of Dispersed Teams':

[*Tips for Effective Management of Dispersed Teams \[4688\] | Mercia Group \(mercia-group.com\)*](#)

as well as a course on 'Wellbeing and Resilience in the Workplace':

[*Wellbeing and Resilience in the Workplace \[5032\] | Mercia Group \(mercia-group.com\)*](#)

10. How can I adapt my firm to attract new talent without alienating existing staff?

Firstly, it is important to understand what employees (new and existing) want.

This may not be one common thing, the key is often flexibility.

New staff are often attracted to firms that are forward thinking and creative, embracing change is important.

To ensure existing staff don't feel left behind, involve them in the firm's evolution.

Keep communicating.

Provide adequate training for new technology and working methods.

Ensure everyone has the right equipment for their role.

11. What are most candidates looking for when searching for a new role?

Again, there is no one answer to this question. Often packages need to be tailored to the needs of the candidate.

Flexibility is key.

12. How does Mercia's methodology incorporate new ways of auditing following advances in technology?

We updated our methodology a couple of years ago to incorporate audit data analytics and other technological advances, as such we have key forms in the planning, fieldwork and completion sections aimed at documenting and assessing technological approaches to audit.

We are constantly monitoring developments and have set up a working group to look at how our methodology can incorporate new technologies as they emerge and become more commonplace amongst our users.

13. Are many firms adopting these technological advances?

We do see larger firms embracing technology, such as audit data analytics, more than smaller firms but smaller firms are also considering the benefits.

Larger firms tend to develop their own platforms, whereas smaller firms may opt to buy an off the shelf package.

It is also important to remember that it is not just sophisticated technology, Excel also contains the functionality to interrogate data and can be adapted for Computer-assisted audit techniques.

14. What are the benefits of audit data analytics and Computer-assisted audit techniques?

The main benefit is improved audit quality without the loss of efficiencies, and even improved efficiencies, as technology allows auditors to review large amounts of data, often at the touch of a button.

Auditors still need to consider key assertions not covered by the technology they incorporate but technology does allow auditors to expand their testing to identify more risks.

Mercia offer a course on 'Data Analytics - What Everyone Needs to Know':

[Data Analytics - What Everyone Needs to Know \[4360\] | Mercia Group \(mercia-group.com\)](#)

16. We would like to understand the sample size selection under the Mercia methodology (particularly the 60 sample cap and interaction with the risk assessment, etc.)

Mercia offer 3 sample size calculation tools, one for controls testing, the other two are for substantive testing.

For substantive testing we offer two methods: One is for judgemental sampling (and incorporates a sample cap), the other is a statistical sampling approach (which does not incorporate a sample cap). Whilst a different approach may be used on different audits, it would be difficult to justify mixing and matching the different approaches on the same audit. For many audits, particularly where populations are smaller, the judgemental sampling approach will be appropriate, however it is not suitable for use on the audits of PIEs or other audits where the populations are very large.

In respect of the judgemental sampling, the initial starting point of 60 items is based on a risk of incorrect acceptance of 5%, where no errors are expected and a population value of approximately 20 x performance materiality.

Whilst this is supported by underlying statistical theory, and whilst the 5% risk of incorrect acceptance and the no expected errors is normal for sampling, the problem comes as when the value of the population is more than 20 x performance materiality (or if the tolerable misstatement for the population is not actually performance materiality for various reasons), as the starting point of 60 loses its statistical basis. For this reason, we have developed the statistical sampling approach (to use on audits where it is likely that these problems will occur).

17. Would it be possible to arrange a one to one demo?

Yes, we are more than happy to arrange demos with interested firms.

For a Caseware demo, please [request a demo here](#).

For Mercia queries/demos, please email sales@mercia-group.com

18. In relation to Irish Dormant entities, are firms logging these in 'Other engagements' and performing the work outside of Caseware / keeping a workflow on them or are they including them on Caseware (and is it efficient to do so)?

Response from Mercia's team in Ireland:

If it's a dormant company audit I would say most are keeping outside of Caseware and doing a free-form plan, such as Caseware would be too much.

19. What approach are firms in Ireland taking with regards to specialised Irish entities such as:

- a. Charities
- b. Insurance Brokers / Central Bank regulated entities
- c. Owner Managed Companies (Property Management Companies)

Response from Mercia's team in Ireland:

Charities - SORP not mandatory but many apply - probably use standard CW pack

Insurance Brokers -if they are also a company - use standard pack but will have to tailor testing for CBI regs

Credit Unions - MUST use CAI pack - no other providers and nothing paperless

Property mgmt companies no different to standard companies - just additional disclosures - might use free-form plan and can be very small audits

20. What plans do Caseware have to incorporate these new ways of auditing coming from advances in technology?

Caseware are currently working on integrated analytics, this will be available on the cloud in the future. We also have IDEA data analytics, this is a desktop product, sat outside of the cloud system but is a powerful data analysis tool.

21. Are there AI capabilities for Caseware cloud for statutory financial statements, not necessarily audit?

There are not currently, however we are keen to explore AI in the future - watch this space!

Useful Links

[ICAEW Generative AI guide](#)

[Contact the Caseware Sales team](#)

[Contact Mercia Sales team](#)

[Caseware's webinar: Generative AI: Changing the Accounting Landscape](#)