



Tax & Accounting

6 Habits of Highly Effective Audit Teams

With Jim Bourke, CPA, CITP, CFF, CGMA, Partner & CIO at Withum

In this white paper, you'll learn:

- Proven habits that help improve audit quality and efficiency
- Tips for incorporating these habits into your current audit workflow
- How technology can help you further integrate these best practices

Habits That Improve Audit Quality and Efficiency

In order to be a successful audit firm, adopting these six key best practices is a necessity.

- Train and retain staff
- Know your client and your industry
- Standardize and automate your end-to-end workflow
- Define the review process
- Ensure client readiness
- Leverage data analysis

In this section, we will look at each of them. Then we'll look at how to incorporate these habits into your current audit workflow.

1. Train and Retain Staff

Finding and retaining highly skilled staff members is a significant challenge for many audit firms. In fact, The Journal of Accountancy calls today's accounting, audit and tax labor market the most competitive in recent memory in its 2015 article "How to Win the Game of Talent."

With the improved economy, Baby Boomers will be hitting retirement age at an average of 10,000 per day through 2030, according to the Pew Research Center*, and with the tendency of Millennials to move around in jobs more than previous generations, the competition for staff is likely to become even more stiff over the next decade.

While facing these challenges, and perhaps even more so because of them, the ability to hold on to top staff is essential to a firm's success.

"The key to productivity is the ability to retain staff and knowledge year over year," explains Cathy Rowe, Product Manager, Accounting and Audit Solutions at Wolters Kluwer. "To be able to do so effectively frees up senior staff to focus less on low-value work so they can focus more on the core business of compliance and advisory and bringing in new clients."

Losing staff members results in less consistency, high recruiting costs and more onboarding time where staff members are not yet fully productive.

Jim Bourke, CPA, CITP, CFF, CGMA, Partner and CIO at Withum, concurs. "We need that consistency in staff members from year to year."

In order to train staff members to become effective and grow in their jobs, and in order to retain staff, Withum invests significant time and energy in training.

"Very often, firms drop the ball in training," Bourke explains. "We spend a ton of time and effort keeping our staff engaged, even our young staff. We train them from day one with an onboarding training that includes everything from audit to tax to technology."

He continues: "You must train staff in order to retain staff." The firm works to help staff members of all levels build their skill sets to grow with the firm over time, a key to the firm's success.

* Pew Research Center, <http://www.pewresearch.org/daily-number/baby-boomers-retire/>

2. Know Your Client and Know the Industry

Understanding your client and their industry is critical to planning the audit appropriately and properly identifying the correct risk. The way to do that is to involve a partner at the very beginning of the engagement who has the knowledge and the relationship with the client.

“Getting a partner involved is critical,” Bourke says. “The partner was responsible for landing the client and the initial relationship with the CEO and CFO, so at one point in time, they are immersed in that client. The partner is super key for knowing the client and the industry, and we require that the partner be part of the brainstorming session, even if they’re out of office and brought in through technology like Skype™.”

Be sure to have an effective brainstorming session and identify the roles on the team and who is doing what. As part of the session, plan the work appropriately in order to identify the risk and design the audit programs effectively ahead of time.

“We set up the roles, identify reviewers and who signs off on each workpaper. The goal is to leave nothing to chance once the audit starts,” Bourke says.

Finally, make sure you keep in touch with the client throughout the year. “It’s important to have an effective audit the following year, so be sure to identify value-add opportunities throughout the year,” points out Rowe.

This habit of knowing the industry and the client will help prevent errors. Sixty percent of financial claims result from failure to detect a misstatement or a disclosure error, according to the *Journal of Accountancy* (2/1/2015), a preventable mistake when you know the client and industry.

3. Standardize and Automate Your End-to-End Workflow

Standardize your binder templates and workpaper templates for each industry group ahead of time. This will help provide consistency across the firm, as well as with the onboarding of new staff. It will also help streamline the internal review process and the peer-review process.

“Wolters Kluwer provides the foundation of templates that are industry-specific. We then spend a significant amount of time upfront during the summer months refining our binders by industry. We have our industry groups, plus the young staff get immersed in an industry and learn the high-risk areas. They then work with the quality control department to come up with standard binders,” says Bourke.

“A standardized binder ensures that the audit team doesn’t miss something specific to an industry,” Bourke explains.

Another part of this is fully using the software’s automation capabilities. For instance, you can link the trial balance from CCH® ProSystem fx® Engagement directly into a tax return to maximize efficiency on the tax side. On the audit side, you use the roll-forward options year to year to help save time and improve efficiency.

CCH® ProSystem fx® Knowledge Coach offers roll-forward options to carry over answers — as little or as much as makes sense. It’s customizable. “It’s a really good idea to have a champion group to look at the best roll-forward options for your firm,” Rowe points out.

4. Define the Review Process

During the brainstorm, decide who needs to review what and when. Also, decide what staff levels need a review. This will be job-specific depending on the client and risk.

It's also key to have the real-time review while the staff is in the field so that you can support them and answer any questions as quickly as possible.

"We encourage the quality control department and the partners to review their specific area of audit while the staff is still in the field. Connectivity allows quality control to sit behind their desks and review the job. I do this all the time while on the road. The reviewers are touching the jobs in real time," Bourke says.

His firm syncs the job every hour so that the reviewers can look at it while the staff is still in the field. With technology, even while jobs are syncing, you can get into binders and look at everything in CCH ProSystem fx Engagement.

Bourke offers this best practice from his firm: "In the brainstorming session, we identify the high-risk areas and which staff will run with the high-risk areas, which are the most senior members on the staff. They spend their time in the high-risk areas and stay out of the non-high-risk areas, allowing other staff to concentrate on those."

More Good Habits for Quality Audits

1. Start with the financials. You can import the trial balance in CCH ProSystem fx Engagement and link the financial statements so that they are dynamic and used throughout the audit to identify and link to risk areas.
 2. Work on the riskiest parts of the audit in the field first so that these complicated areas are not left until the end.
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5. Ensure Client Readiness

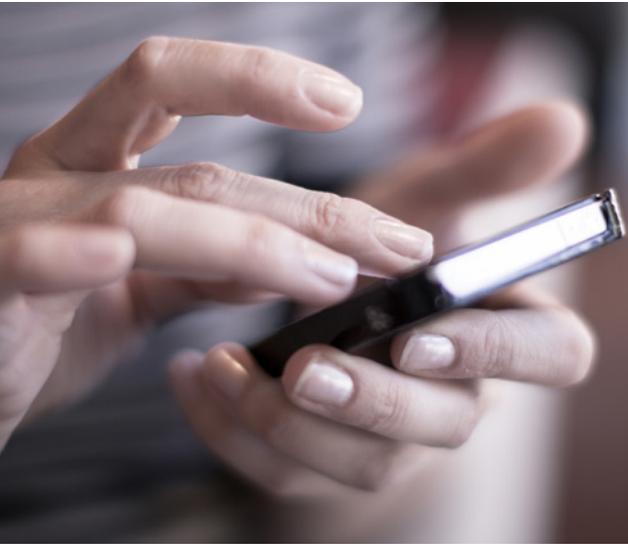
To ensure that your firm's staff members are efficient in the field, have client readiness policies. Include rules, such as:

- If a client isn't ready, don't go into the field.
- Get as much done as possible in the office before going out into the field.
- Prepare a client request list with milestones and schedule the fieldwork accordingly.
- Know when to leave the field. It's okay to leave if you're out there spinning your wheels. Staff should be trained to be as productive as possible while in the field.

"In an ideal world, we wouldn't waste time in the field," Bourke explains. "But we know that it's a huge problem. Preventing it comes down to education. We don't enter the field until we have the information we need and all scheduled milestones are adhered to."

The audit is becoming more commoditized with a fixed fee, so it's easy to diminish job profitability if your team is not using field time productively.





6. Leverage Data Analysis

In December 2015, the AICPA launched a research initiative to focus on how to use data analytics in the audit process to improve the audit quality. This is important in the industry now and will continue to become more important.

Key points to consider:

- Automate procedures using a data analysis tool. For instance, use the data tools to generate the P&L, balance sheet, sub/cash testing analysis and other calculations and then automatically input it into the audit.
- Use the computer-assisted audit techniques (CAAT) and tools to analyze that data and find anomalies.
- Enable practices, such as continuous monitoring and continuous auditing, to analyze data and improve audits.

This all improves audit quality and efficiency. Keep in mind that it's important to train staff in the tools.

Bourke gives this example from his firm: "We use a tremendous number of tools at our firm. These data extraction tools require a lot of training but result in more efficient and better audits."

How to Incorporate These Habits into Your Audit Workflow

In this section, we'll provide additional tips for incorporating these best practices into your workflow.

Best Practices for Training and Retaining Staff

- Train staff to be equipped for niche engagements; teach people about the unique issues facing that industry.
- Conduct ongoing lunch-and-learns throughout the year and assign different people to run each topic. "People will own that topic and expand their knowledge that way," Rowe points out.
- Involve younger staff every step of the way and empower them when it makes sense. "We know from research that the Millennials want to be empowered faster, but we need to be careful that we empower them in ways that make sense, so they're equipped for their role in the engagement, and audit quality is not compromised," Rowe says.
- Make the training available over the web or via video recording so that staff can go through at their own pace and refer back to it as necessary.

When retaining staff, it's necessary to create a positive environment that empowers people in reaching their career goals. Provide staff with a good work/life balance. Listen to what your staff members are telling you would improve their work life. For instance, even having a more flexible dress code makes sense in this competitive staffing environment.

Implementation Tips for Knowing the Client and Industry

A common best practice is to set up champion groups for each industry your firm serves. The people leading these groups should help keep the firm up to speed on the industry, and a champion from the industry team should sit in on brainstorming sessions for all audits conducted in that space. This will help guide the audit to ensure that all industry high-risk areas and hot buttons are addressed.

“Immerse the staff in industry-related events so they can understand the hot buttons in order to get the team through the high-risk audit areas,” Bourke advises.

Ways to Standardize and Automate an End-to-End Workflow

- Set up niche templates for each industry
- Review roll-forward procedures to get the most efficiencies
- Use end-to-end software, like Wolters Kluwer’s Integrated Audit Approach

How to Define the Review Process

Before starting the audit, make it a standard procedure to have a client brainstorm with the partner most familiar with the client. At the brainstorm, lay out the entire audit plan, including who will review what. Also, make sure that all roles are defined during the brainstorm. When in the field, have a regular check-in with staff in the field.

Steps to Ensure Client Readiness

Be sure to:

- Use a client request list and have all necessary information before going into the field
- Schedule the fieldwork only when you have what you need to go into the field
- Educate staff about when to pull out of the field

Steps for Leveraging Data Analysis

Incorporate CAATs, which can help with diving into data to analyze for anomalies and trends.

Train staff on how to use these tools. “You need to train the entire staff, not just one or two people, on how to use the CAATs,” Bourke says.

The CAATs tools can also provide additional revenue for your firm. Bourke suggests that you think of other ways to monetize this data after the busy season. “If you’re analyzing this data during the audit process, could you put together something for your client?” he asks. “Could you say, ‘We analyzed your operations and noticed these trends? Is there a way to monetize that data that’s not just about the audit?’”



How Technology Can Help

Wolters Kluwer's Integrated Audit Approach helps firms incorporate these six habits by providing a paperless system with technology that automates many tasks, flowing information where it needs to go to save time and reduce errors. It also provides an end-to-end workflow that makes the compliance process quick and easy, leaving more time for advisory work.

The technology pieces of Wolters Kluwer's Integrated Audit Approach are:

- CCH ProSystem *fx* Engagement, which serves as your main hub and can be used to import raw client data, prepare adjustments, create financial statements and export completed data to tax returns.
- CCH ProSystem *fx* Knowledge Coach is built within CCH ProSystem *fx* Engagement and is an award-winning planning tool, workpaper generator, audit workflow management application and risk overseer all rolled into one. It draws clear connections between steps and risk — while offering all of Engagement's efficiency tools and automation.
- CCH® Accounting Research Manager®, which is highly integrated with CCH ProSystem *fx* Knowledge Coach to provide industry-specific guidance, making researching and linking source documents easier than ever.

Wolters Kluwer's Integrated Audit Approach is designed to break from the "checklist mentality," where continually following predefined steps ends up discouraging auditors from thinking critically. Instead, the Integrated Audit Approach produces higher quality audits and improves efficiency through dynamic, iterative processes and tools that encourage auditor judgment and continual learning. With this approach, firms are realizing they can do more with the same — or even fewer — resources, along with better utilizing staff members' time and skills.

Fast-changing legislation makes it hard to stay knowledgeable about the latest compliance issues. Wolters Kluwer's Integrated Audit Approach minimizes oversights and manages completion with real-time alerts and

diagnostics. And with "answer effects" that explain the impact of certain actions, users can see the big picture, helping them develop as auditors.

In this way, the Integrated Audit Approach helps firms train staff by guiding them through the audit, teaching new staff how to complete an audit engagement. Additionally, the CCH® Learning & Development Academy — School of Audit offers progressive levels aimed at staff with different skill levels to train them on the software and the approach.

Another advantage of the Integrated Audit Approach and technology is that it ensures consistency across the entire firm as far as how the firm conducts audits.

"When we switched to Knowledge Coach, we found consistency in the message and the way we go about doing audits. Before, our multiple offices each had its own way of doing things," Bourke shares. "Now, we sit with Knowledge Coach in the brainstorming session, which helps the entry level staff learn how the job is laid out in the beginning. Plus, across the firm, with Knowledge Coach, everything is consistent."

That consistency also improves the peer review process. Bourke says that when his firm began using Knowledge Coach and the Integrated Audit Approach, it made the peer review process go more smoothly.

Finally, advanced solutions like the Integrated Audit Approach help firms to recruit and retain top staff thanks to the level of automation, which top talent expects. It results in a better audit and allows staff to work from anywhere.

Wolters Kluwer Is Here to Help

We created the Wolters Kluwer's Integrated Audit Approach to address the new audit standards, streamline workflow, improve audit quality — and allow staff members to spend time doing what they do best: high-level work that most benefits clients. Learn more about Wolters Kluwer's Integrated Audit Approach, along with the CCH Learning & Development Academy — School of Audit, by requesting a free consultation.

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