ALMOST HUMAN

Matthew Campbell considers the implications of robotic process automation for financial statement audit

The finance function is a key opportunity for organisations to use robotic process automation (RPA) to reduce costs and increase efficiency by adding a robotics layer – which simulates human activity – on top of existing enterprise resource planning (ERP) software.

This makes robotics attractive to organisations using 'rigid' ERP software, as financial processes can often be clunky and difficult to change, giving rise to wasteful workarounds, or a reluctant acceptance that the cost of change is too great (and risky) to streamline a process.

AUDIT EVIDENCE

For a process with limited complexity, such as closing and reconciling sub-ledgers, robotics are comparatively easy to implement and to audit. Any competent robotics implementation will include a regression test against the manual process, which easily highlights any variances. Verifying the testing process, and using analytics to independently check elements of the automation, can provide sufficient audit evidence.

More complex processes, such as the processing of invoices, require the use of cognitive automation, where the robotics tool makes its own decisions (acting within certain business rules). This presents both a benefit and challenge to the auditor.

Business rules are built up over time, and we often see unwritten rules in the process that haven't been captured in policy. Identifying these unwritten rules can highlight inconsistencies which can then be fixed, and the enhanced documentation reduces the need for the auditor to discuss and explore the business process with management – allowing time for more effective conversations and facilitating easier deployment of audit analytics.

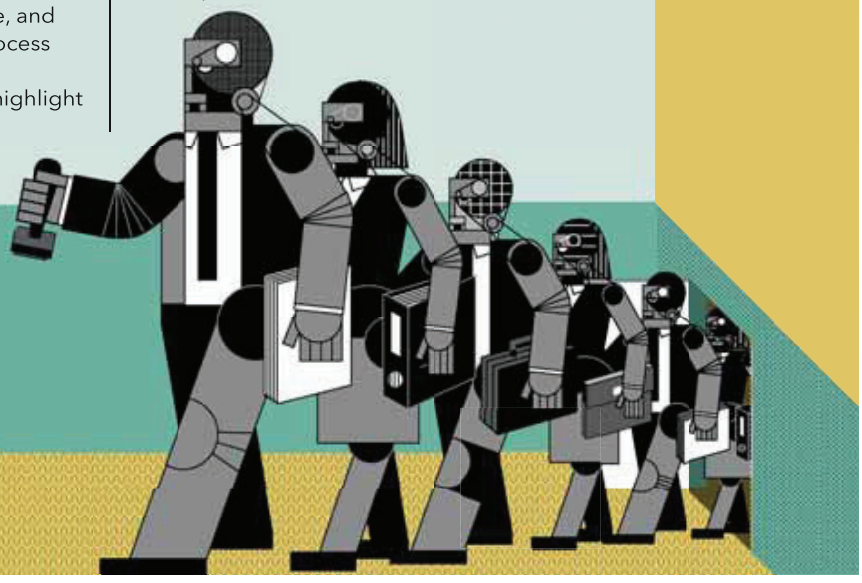
Implementation of a cognitive tool (see box, right) involves the tool learning from the actions of the humans currently performing a task. This can introduce risk, as any bad behaviour from the humans will subsequently be learnt by the cognitive tool and taken forward into the decisions it makes. This poses challenges for the auditor, as management may be unable to account for the robot's decisions. To audit this process, we would expect to look at the parameters set by the business to control the robot's decision-making, and verify that they were both sensibly specified and implemented effectively (another opportunity for audit analytics to be used).

One advantage for the auditor is that robotics still interact with the same underlying ERP systems, meaning that ongoing investments in simplifying data extraction and the development of analytics and visualisations all remain valid. While the parameters of testing may change (for example, an ISA240 test looking at users posting at night or on the weekend is irrelevant for a robot), the actual tables and fields extracted remain the same.

IT CONTROLS

We should also remember that automated users aren't new – it's already very common to see automated users in the journals process, posting across from separate systems. We already have approaches to IT controls that allow us to audit this risk. An increasing shift towards robotics doesn't fundamentally change our audit approach; it only adjusts the mixture of fieldwork performed, and 'dials up' the focus on IT controls. ●

More complex processes, such as the processing of invoices, require the use of cognitive automation



MORE INFORMATION

The June 2018 edition of *Audit & Beyond* included an article on the impact of RPA in internal audit and the faculty's recent guidance on this (see tinyurl.com/AB-JuneArticle).

The February 2018 edition of *Audit & Beyond* included an article on cognitive audit and the opportunities and challenges for auditors (see tinyurl.com/AB-CogAud).

Matthew Campbell, technology audit director, KPMG