



# Dynamic Audit

**Vision beyond the numbers**



Exploration of interconnected risks, process inefficiencies, culture and data can bring a deeper understanding, leading to more insightful assurance and informed decision making.

Technology, disruption and globalisation are impacting organisations and shaking up industries like never before. Economic volatility and increasing consumer expectations are adding to the pressure, while the speed of change and digital interconnectedness means the cost of complacency is high. This complex environment is seeing stakeholders, regulators and the public scrutinise the stability and accountability of organisations with intensity.

Duncan McLennan, National Managing Partner, Audit and Assurance, KPMG says this perfect storm of challenges means that the fundamental role of Audit, to provide assurance over the financial statements of organisations, is more important than ever. In this regard, he says, "Audit has needed to evolve to meet the needs of the current environment."

Since the global financial crisis (GFC) exposed the myriad risks that can hide behind the veneer of 'business as usual', it has become clear that Audit can play a deeper role in helping organisations understand their potential exposure points.

## **Audit for a complex world**

Every organisation has different pressures, with common threads that they must provide financial assurance, mitigate against risk, find efficiencies, solidify a good culture and harness the power of their data. McLennan says KPMG's Dynamic Audit is designed to help address these needs.

"Audit is more complex than ever, and must be bespoke and responsive to specific client circumstances. There is no one-size-fits-all solution – therefore we are recruiting people with a diverse skill set."

KPMG's Dynamic Audit draws on a variety of skillsets and tools to shine a light on an organisation's interconnected risks, process inefficiencies and culture challenges, as well as highlighting the potential to use data and analytics for more powerful decision making.

McLennan says the approach uses advanced technology along with the deep experience of the team behind it.

"It's supported by our people's ability to interpret results, understand trends and apply sound judgment based on a firm

understanding of the business model at hand," he says.

"Already, data and analytics techniques are transforming audit by allowing analysis of much bigger populations of data than traditional sampling from which to draw conclusions. Machine learning and cognitive technology will allow us to build on these data and analytics advances. They will be a game changer in how the value of audit is perceived by the marketplace."

## **Risk, culture and Audit**

Inadequate understanding of interconnected risks is considered to be a key cause of the GFC. Part of KPMG's Dynamic Audit approach is KPMG's proprietary Dynamic Risk Assessment (DRA). This unique risk assessment methodology helps organisations see risk in four dimensions based on their inter-connectivity, rather than the traditional two-dimensional view.

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"A map of interconnected risks will almost always throw up something that hasn't been thought of before when an organisation is considering its risk profile," says Chris Hall, Partner, Audit and Assurance, and KPMG's Australian leader for DRA.

Also under the spotlight at the time of the GFC was poor organisational culture and conduct – an issue that is increasing in profile thanks to technology, employee incentive structures and market competition. It's another area that Audit is in a prime position to address, says David Kells, Partner, Audit and Assurance, KPMG.

"The lens that you need to look at culture through is changing," he says. "And because the consequences of poor culture are more likely to manifest themselves in a significant way, it makes sense that the people who are best placed to put a temperature check on it are actually doing that."

Kells acknowledges that historically, auditors haven't played a major role in explicitly considering the culture of an organisation as part of risk analysis.

"But given the risks associated with a poor corporate culture, it makes sense that we cross that bridge," he says.

### **Data, analytics and efficiencies**

Just as D&A is helping the Audit function go deeper and broader across a business in its financial analysis, Audit can also demonstrate to an organisation the value of the information it holds.

Peter Russell, Partner, Audit and Assurance, KPMG, says "the new capability to process data can bring deep insights to organisations".

"It's about giving information to people in a way that can help them make better decisions," he says.

Audit's unique perspective can also be applied to review an organisation's processes and efficiencies – with KPMG's Dynamic Audit embracing the Lean methodology to achieve this. A Lean approach breaks down every step of a process that leads to the customer, encouraging staff to highlight the 'pain points' along the way. In addition to providing clarity on existing process

design, this holds a mirror up to an organisation to see where problems or bottlenecks sit, and where process improvements can be implemented.

"Lean appeals to the constant drive for efficiency in an environment of competition and change, and fits neatly into the work auditors already perform," says Chris Hollis, Partner, Audit and Assurance, KPMG, and accredited Lean practitioner.

With financial assurance combined with visibility over risk, culture, data and efficiencies, organisations should have a powerful picture of where they can change in order to stay ahead of the curve.

In an environment of unprecedented change in technology, regulation and stakeholder expectations, independent assurance is vital.

KPMG's Dynamic Audit is powered by people and technology to meet today's and tomorrow's demands. For more information contact your KPMG professional.

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