

# Reimagining external audit through digital enablement

The broad emphasis on digital transformation also has its implications on the banking industry, predominantly in the form of revisiting core business processes, upgrading technology infrastructure and offerings, data management and cybersecurity. Banking audits are specifically challenging due to the underlying complexity of risk models, and large quantities of data and transactions. This in-turn necessitates reliance on strong automated and manual controls working in cohesion to ensure security, accuracy, and completeness of data and transactions being processed in the vast canvas of interconnected IT systems of the bank.

Digital transformation has thus, pushed auditors to reimagine the audit experience. Although accountants were experimenting with change before the pandemic, it certainly accelerated the process of adoption to keep up with a changing work landscape. With the temporary closing of workplaces and the need for physical distancing, auditors leveraged existing and new advanced technology to conduct audits remotely. The power of digital transformation in audit is not only about remote work though; it is about overhauling the underlying processes using technology to achieve higher quality, more efficient audits, and better insights for clients and other stakeholders.

With increased digitization of client documents, traditional barriers for auditor access to data or readiness were quickly overcome. In Saudi Arabia, Vision 2030 had a big impact on this development due to the push towards digitization. Banks are technologically up-to-speed and have increased their digital aspirations and projects. This enables them to utilize their technology to improve customer service processes, risk management, and also the audit process.

Auditors, therefore, need to upskill themselves and focus on increasing their knowledge, their risk assessment procedures and audit toolsets – not only to align with the industry but also to stay ahead of the curve and business adoption. This is imperative in the pursuit of delivering enhanced audit quality, valuable client insights, ensuring regulatory compliance and focus on delivering a reimagined, technology enabled auditing experience for all stakeholders.

## Risk assessment and transparency

Risk assessment is at the heart of an audit, and due to recent advancements in the business landscape, it has become even more tech-driven with increased precision and focus on efficiency. Auditors can pinpoint problems in need of mitigation faster and more accurately. Traditionally, auditing was a process based on sampling techniques, which use a subset of data to be audited to run audit tests. Now, auditors can use advanced data and analytics, rules-based automation, and AI to move from sampling to reviewing 100% of a client's transactions.<sup>11</sup> Leaning on the technology to perform routine, rule-based tasks allows auditing professionals to get razor focus on outliers and anomalies. The power of AI allows auditors to pick up patterns that people may miss or have not seen before.

Another perk afforded by the adoption of new technology is the increased transparency of the audit and the collaboration with the client that it affords. A platform that uses a cloud-based source to exchange important information, including valuable insights into the status of the audit, with the client creates greater interaction with the audit engagement team. The client's access to the data will lead to more targeted and meaningful conversations about specific findings, risks, and insights.

## Cybersecurity and data integrity

With the challenges of the pandemic and the increased reliance on cloud-based solutions for working from home setups, the pressure on entities to ensure security and integrity of datasets at all times has been amplified. As a result, cybersecurity has come centerstage with increased emphasis on end-to-end encryption, firewalls and penetration testing along with increased frequency of such controls and procedures. Auditors are not only required to consider these controls while assessing risk but also test effectiveness of design and implementation of these controls for them to be able to provide assurance on numbers extracted from these datasets.

## KPMG's audit technology in Saudi Arabia

Due to the shift in public mindset with more acceptance to digital banking and constant development in FinTech globally, the banking industry



of Saudi Arabia also witnessed an increase in reliance on digital platforms. The cabinet has recently approved the license of a third digital bank in the Kingdom as customers are expected to spend more time online. With the increased focus on digital banking, the industry is likely to employ Artificial Intelligence (AI) to process data and connect the customers' information with government, private and credit agencies.

KPMG Clara is the firm's global response to a reimagined audit approach, to upskill auditors, and step into the future.<sup>12</sup> It was launched in 2017 and took the audit workflow to the cloud with defense grade end-to-end encryption. Based on technology from Microsoft and IBM Watson, KPMG Clara houses advanced data analytics, predictive analytics within a single, cloud-based source and seamlessly adopts the latest cognitive and AI solutions with the scope for ongoing improvements and upgrades. Clients have access to the platform throughout their audit, providing a 24/7 window into the status of an audit. As more businesses shift to virtual work, KPMG Clara's integration with Microsoft Teams and Microsoft Azure SharePoint provides a platform for audit professionals to centrally manage and securely share audit files, track audit-related activities, and communicate with clients.

Over the past few years, KPMG has also been working on risk assessment tools based on machine learning, which allows the system to ingest massive data sets and flag anomalies, or risky, unusual, unexpected transactions based on parameters that it learns building on global KPMG industry knowledge. This technology can also provide insights into a company's processes, and flag outliers that might be hidden otherwise.

In Saudi Arabia, the adoption of KPMG Clara was done in line with the Communications & Information Technology Commission (CITC) regulations that do not

allow for certain industries' client data to be kept on regional clouds. Due to these restrictions, the firm in Saudi Arabia made a significant investment to locally build the needed infrastructure and host relevant client data locally inside the Kingdom to utilize the full potential of the technology while also abiding by CITC's regulations.

## The future of audit

Looking ahead, the future of audit looks towards possibilities of real-time auditing in which clients record transactions on a blockchain or similar advanced technology and the auditor reviews this information on a real-time basis to pick up any unusual, unexpected transactions, account combination and characteristics. This will open a new dimension of auditing which will eventually translate into increased efficiency and improvements along key metrics of quality, deliverables and timing which will significantly benefit all stakeholders. To meet these expectations and stay ahead in an evolving business landscape, the accounting industry must continue to invest in data analytics, machine learning, and AI capabilities. This will allow it to provide organizations with data-driven business insights as well as matching the evolving reporting and regulatory requirements.



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