KPMG's Dynamic Audit technology content series: Robotic process automation

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Robotic process automation (RPA) powering up the audit

You may hear a lot of different terms flying around these days about various forms of 'digital labour'. Digital labour covers a spectrum of different technologies, from RPA (or robotics/automation), to machine learning (cognitive automation) and on to deep learning (artificial intelligence).

RPA is the simplest form of digital labour. Its significance is that it enables data to be collected, analysed or calculated at a speed and scale far greater than a human or team of humans could manage.

While the common perception of 'robotics' may be a robot or piece of machinery that automates a packing, picking or processing process in a factory, robotics is equally applicable to business processes, such as in the finance function, human resources, internal audit or external audit. RPA means that data can be processed in vast quantities, far beyond what was possible before.

Robotics in the audit

RPA has enormous implications for the audit — and is already bringing huge benefits.

In the analogue world where accounting was done with manual tools like physical ledgers, the auditor would validate processes and transactions using statistically valid sampling or similar techniques. In today's digital world, where data is proliferating across digital networks and systems, auditors are bringing new capabilities to mine the mountain of data to identify audit risk, highlight anomalies and outliers, and perform further analysis.

Already, new technology is dramatically enhancing the analytical power of an audit. Using RPA, allows an auditor to analyse 100% of certain datasets through various audit lenses. This means that an auditor can quickly identify the outliers that need further examination. For example, an audit engagement team analysed a complete set of about 250 million transactions, isolating 50 to 60 that were identified as outliers and brought these forwards to the organisation for an in-depth discussion.

Areas such as audit confirmations, reconciliations, generation of emails, automated emails, both internally and with the organisation's data, can all be facilitated with RPA.

A key use of RPA is to gather audit evidence by collecting information where there is data in different organisations' systems that are not integrated. This information can then be subjected to data analytics to inform the auditor to enhance risk assessment procedures or provide audit evidence. RPA is not in itself 'intelligent' but is a vital part of the process of gathering information that can then be intelligently analysed. RPA helps with collecting data, combining data from different sources and applying a basic order to the data.

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What impact could RPA have on audit quality?

The ability to analyse 100% of datasets rather than sampling provides clear benefits whereby the technology will enable auditors to focus their efforts on the outliers and anomalies, devoting greater time to areas of higher risk.

The power of RPA — and other new, emerging technologies such as machine learning, natural language processing (NLP) and deep learning — will mean that an audit, based on increasingly granular and sophisticated analysis of data, may provide richer, more detailed audit evidence, enhanced transparency and depth of audit procedures, and deeper views into an organisation's risks and its controls.

The fundamentals of an audit will not change as the need for human judgment and professional scepticism will always be necessary. The real-use case for new technologies is that they will enable us to obtain — more easily, quickly, accurately and extensively than ever before — the corroborating evidence that is needed in an audit.

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