

Challenges for Auditors (Focus on Small & Medium Practitioners)

Future of Auditing Profession

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Coverage in today's session

Key Challenges –
Present Scenario

Anticipated Future
Challenges

Way forward &
Recommendations

Future of Auditing
Profession

Ease of doing business !!! But not ease of audit



Are we moving ! running ! to achieve our professional goals



Key Challenges in Present Scenario

Classification of challenges

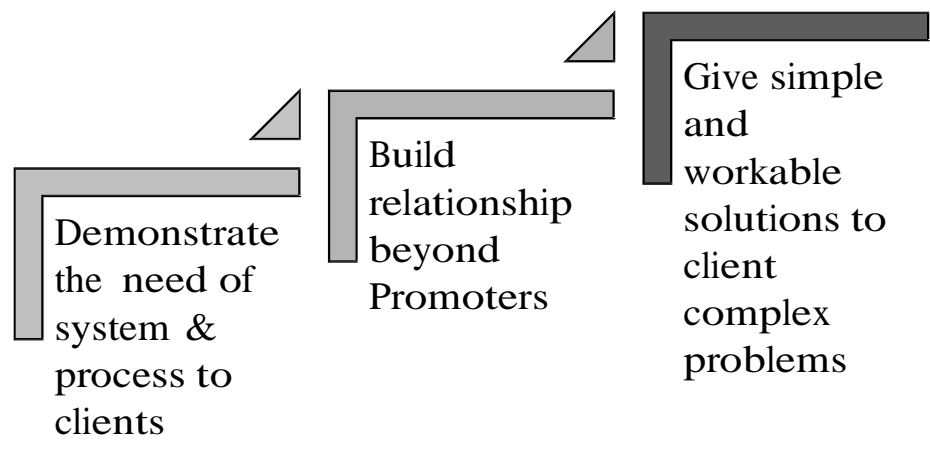
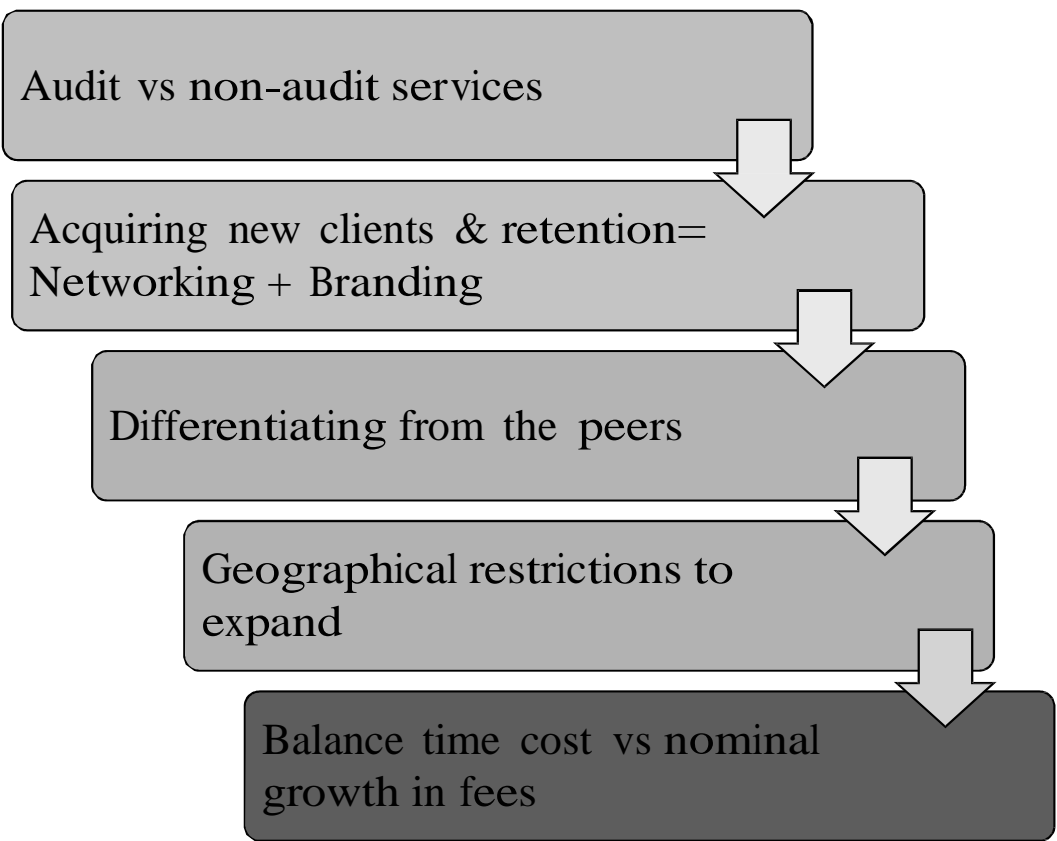
- Attracting and retaining clients
- Acquiring skill sets to meet the growing expectation of stakeholders
- Adhering to legal and regulatory aspects
- Allocation of resources and attracting and retaining new talents
- Administrative and other concerns

Whether a foot over bridge falls or a company falls, where are the auditors!!

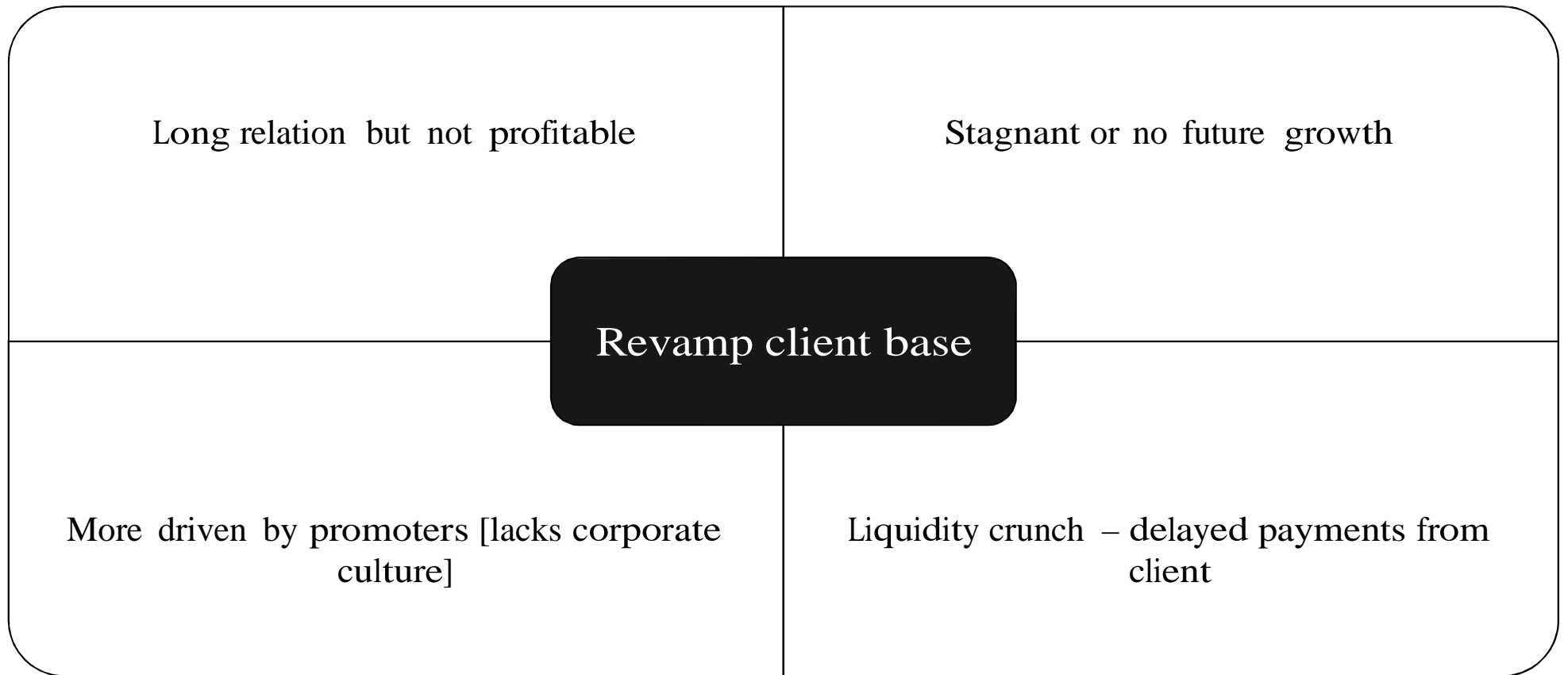
The Regulators wants to see through your eyes.

Client focussed

Growth - Expanding client base & new practice area

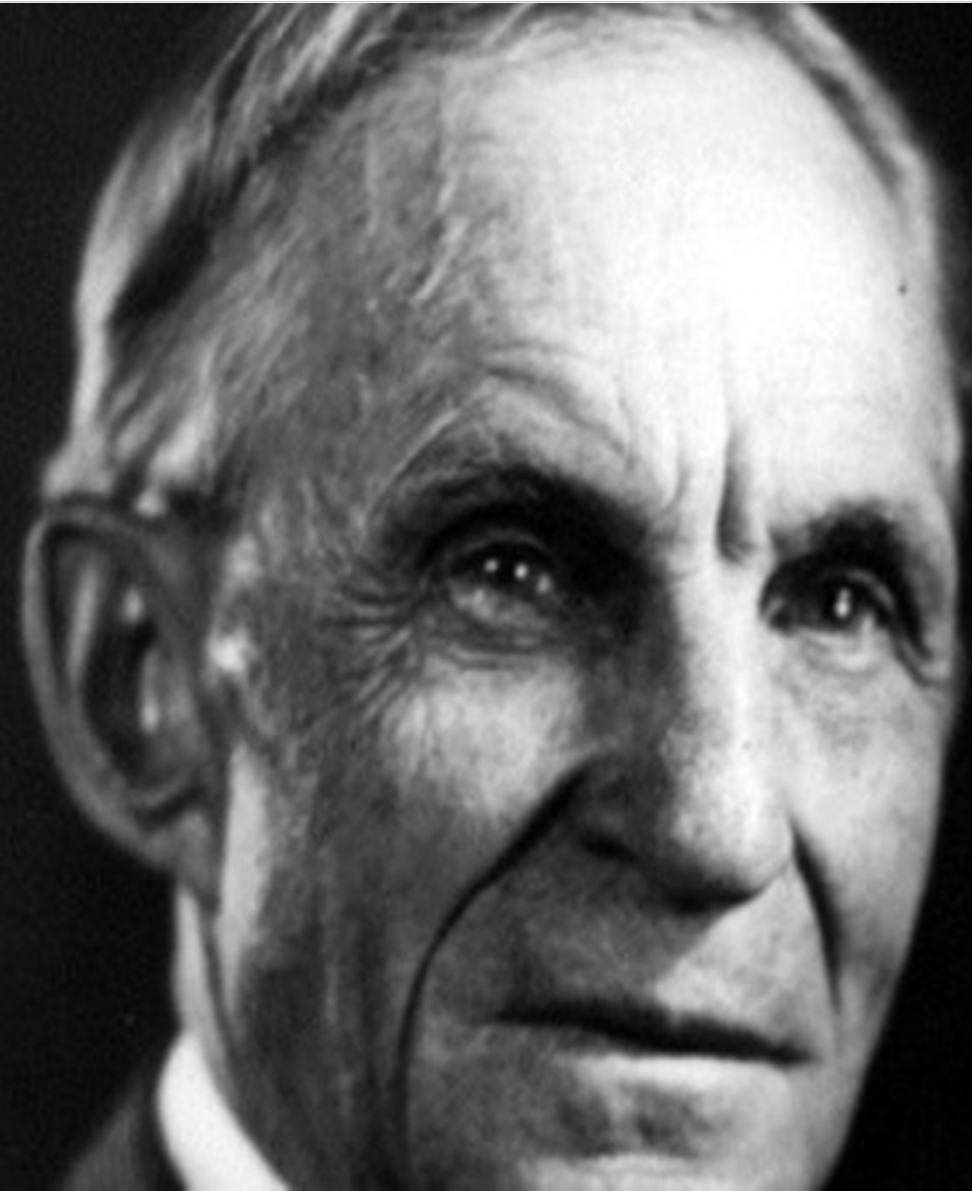



Churning the composition of clients



Acquisition/ Retention/giving up

Nature of business	Dealer of industrial components (whole sale and retail)
Type	Partnership
No of partners	2
No of employees	7
Shop	1
Godown	1
No of parties	100
No of creditors	10
Books of accounts	Outsourced
Invoices	computerized
GST	Inhouse with support of consultant
Turnover	5.00 crore
Profit before partner salary	1.00 crore
Partners salary	0.50 crore
Will your answer differ if	<ul style="list-style-type: none">- Partners were in their 30s- Partners were in their 50s



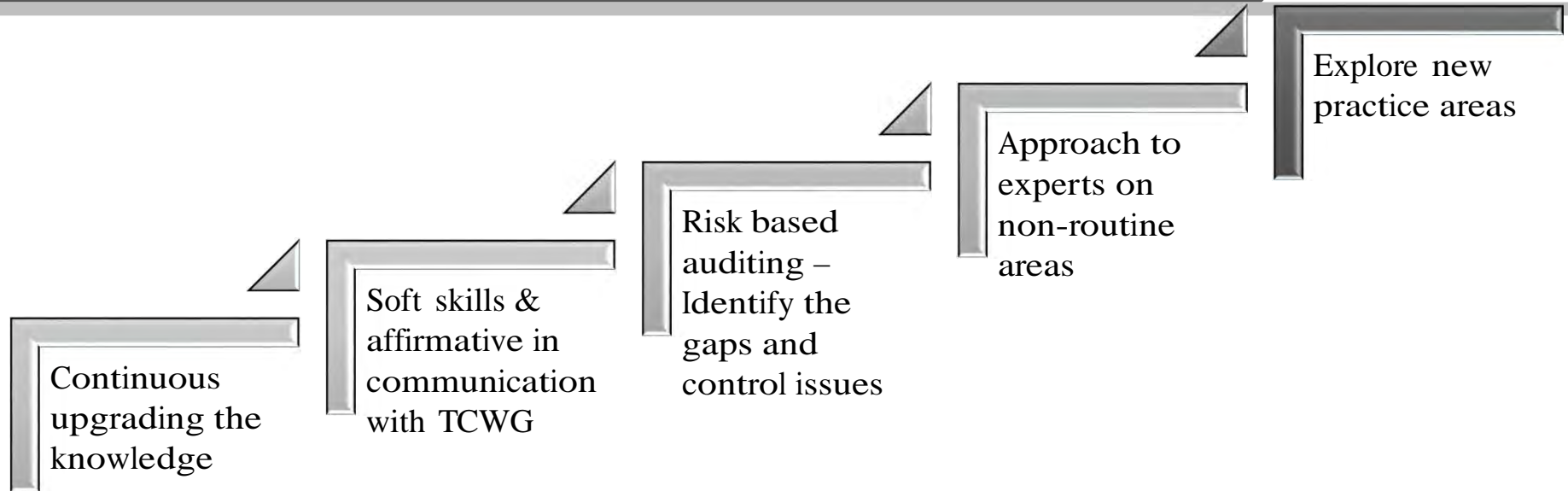
#CustomerLoyaltyMonth 

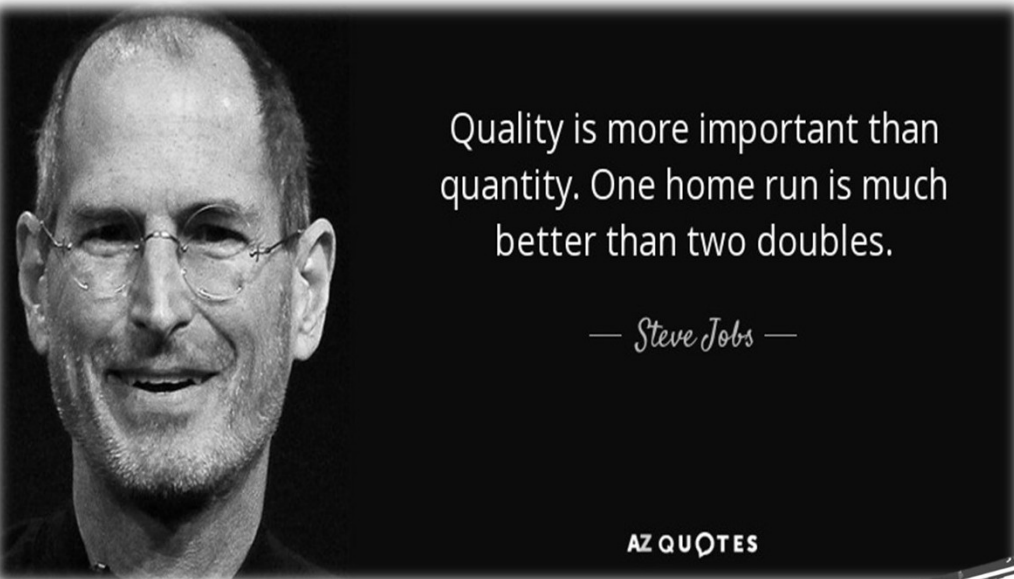
“It is not the employer
who pays the wages.
Employers only handle the
money. It is the customer
who pays the wages.”

Henry Ford

Enhance
professional skill
sets & quality of
services

Sharpening skills in core service areas

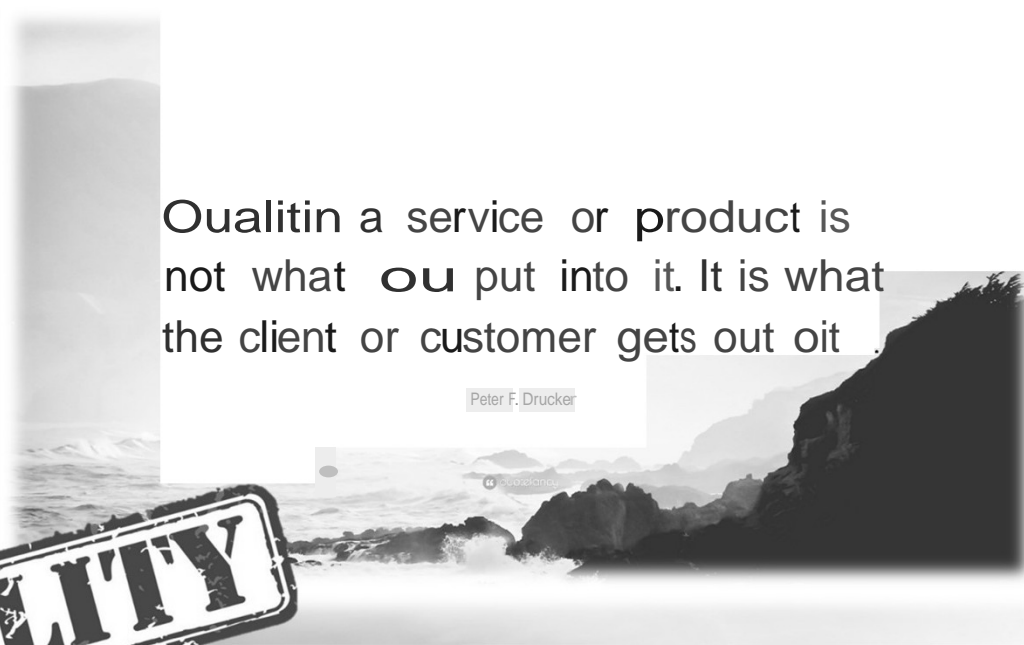




Quality is more important than quantity. One home run is much better than two doubles.

— Steve Jobs —

AZ QUOTES



Quality in a service or product is not what you put into it. It is what the client or customer gets out of it.

Peter F. Drucker

QUALITY



Quality is remembered long after price is forgotten.

Aldo Gucci

quote fancy

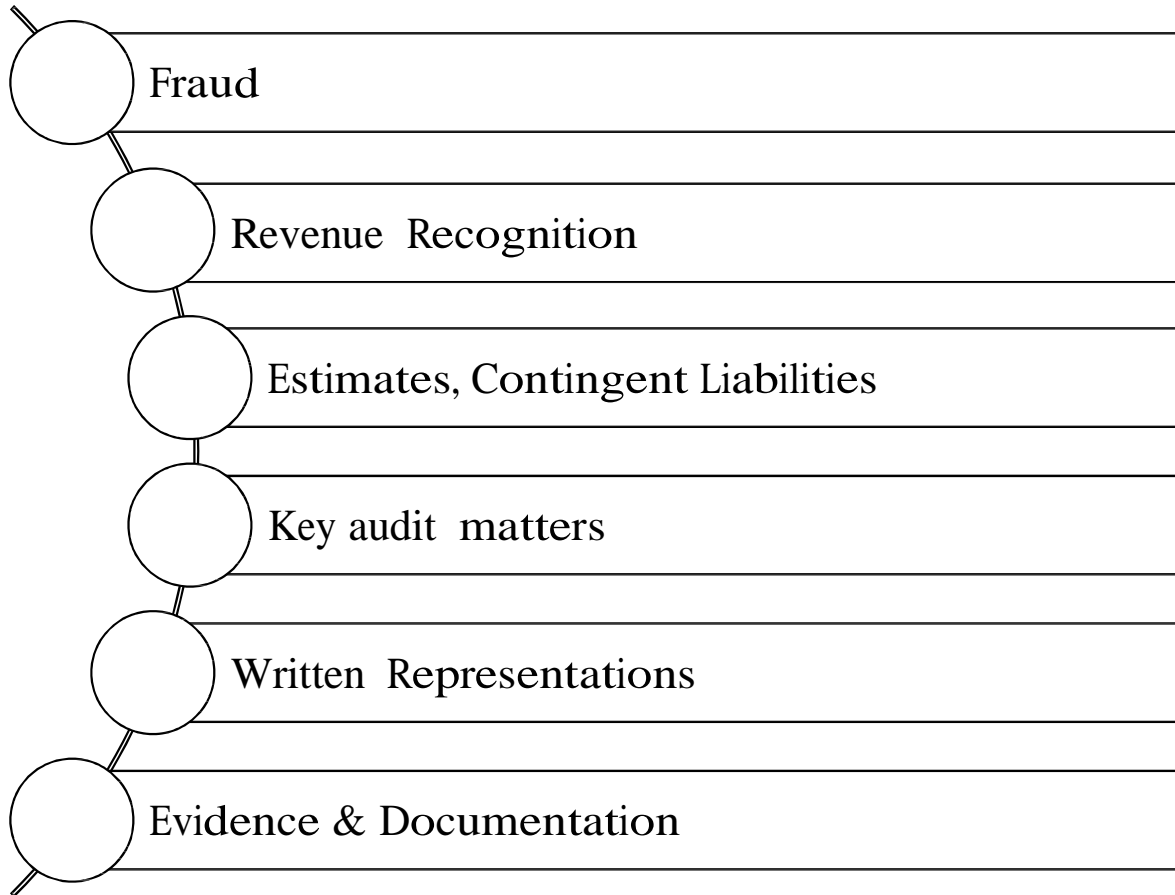


Cost is more important than quality but quality is the best way to reduce cost.

Genichi Taguchi

quote fancy

Common pitfalls



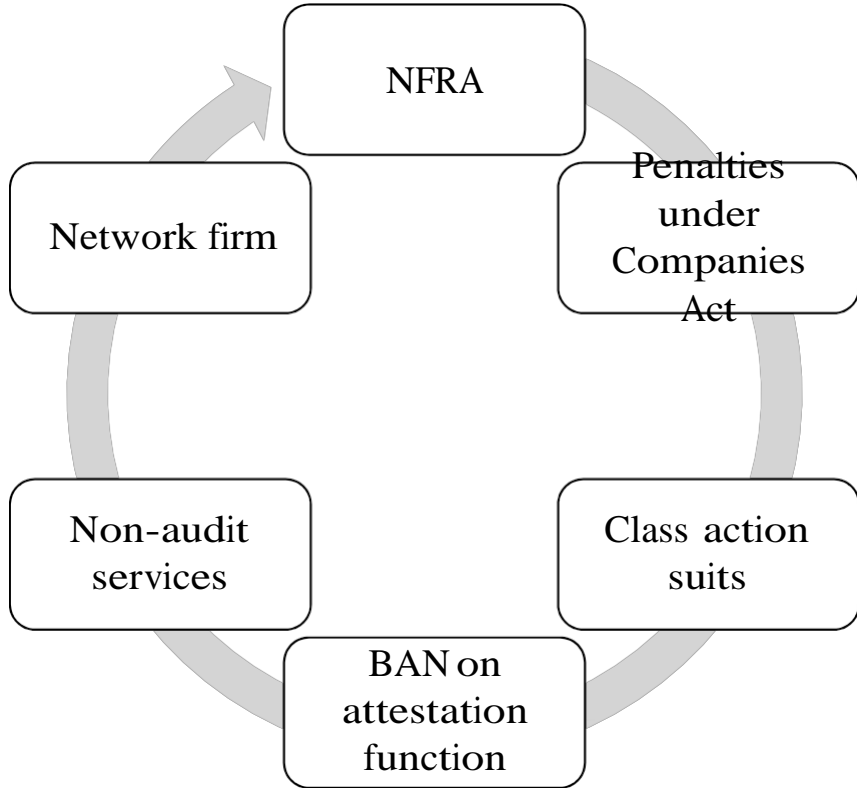
Developing practice areas



Can you be Jack of All & master of None

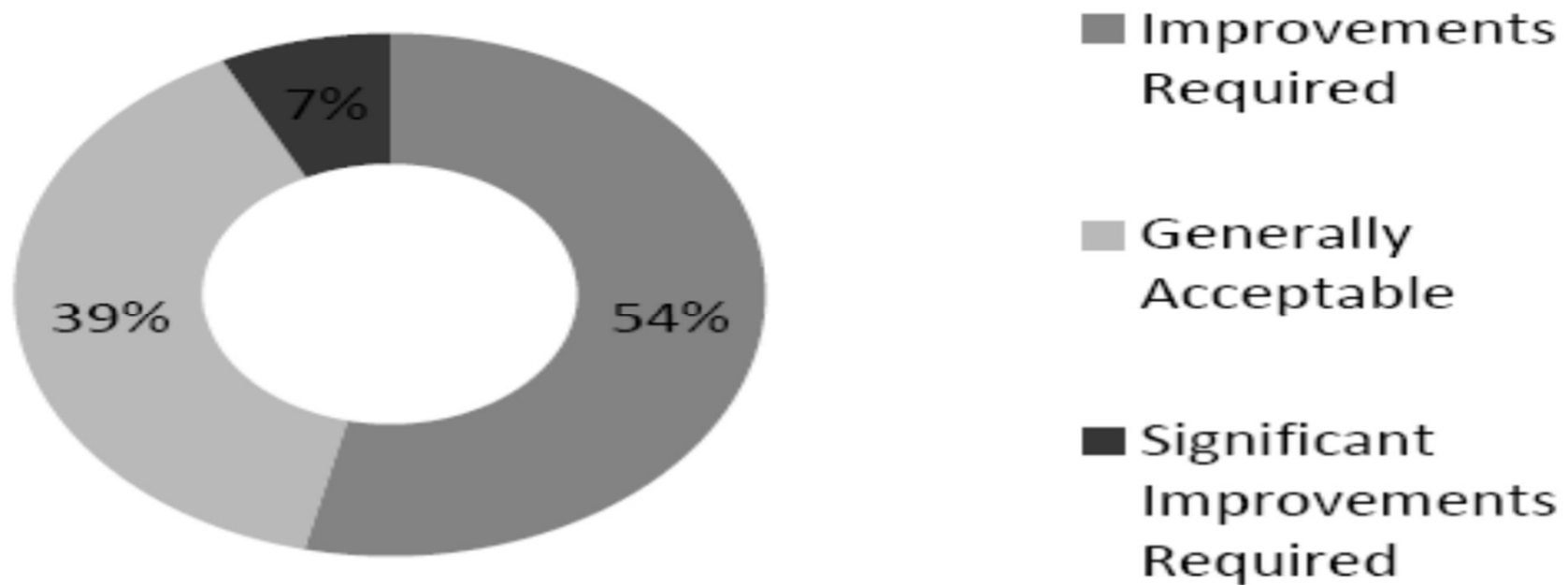
Zero Tolerance
policy in
compliance matters

Legal & Regulatory Challenges



The Regulators wants to see through your eyes.

Findings of Audit Engagements Reviewed (2012-18)



Resources

Resources requirement and management

Staff
Recruitment,
timely
feedback

Infrastructure
and IT support
system

Knowledge
sharing,
training, SOP
etc.

Capacity
building for
new work

No earmarked
team for PR &
business
developments

Administrative and
other concerns

Administrative and other concerns



Working capital management

Fees & CTC benchmarking with other SMP & upper mid-size firms

Difficult in rotation of team/ work due to small team

Ensuring client data is secured – internal threat

Outsourcing the work for special tasks

UDIN

Succession planning

Anticipated
Future
Challenges

Technological revolution

“ONCE A NEW TECHNOLOGY
STARTS ROLLING,
IF YOU'RE NOT PART
OF THE STEAMROLLER,
YOU'RE PART OF THE
ROAD.”

Stewart Brand

While technology can enhance audit, could it replace auditors?

Professional skepticism and Professional judgment in audit cannot be emulated by robots.

While we need to leverage on technology more, there's always going to be a human component in audit. Technology will allow us to extract specific at-risk transactions which we can then check in greater detail

More stringent compliances



"If you think compliance is expensive,
try non-compliance."

Former Deputy U.S. Attorney General Paul McNulty

Challenges in Air

- More competition from other professionals
- Explosion of new business models and e-commerce
- Migration of offices to other cities including outsourcing
- Large PE investment including cross border
- Threshold limits being raised by regulators to help small business- definition per se changing
- Constant upgradation of Accounting Standards & newer Standards on Auditing/ Review Engagement/ Assurance Engagement
- Perception mismatch- 'necessary evil', only tick box audit or standardized audit
- If Voluntary audit is required by management- are you the choice?
- Infrastructure needs of newer generation

Overcoming
Challenges **a**
converting
them into
opportunities

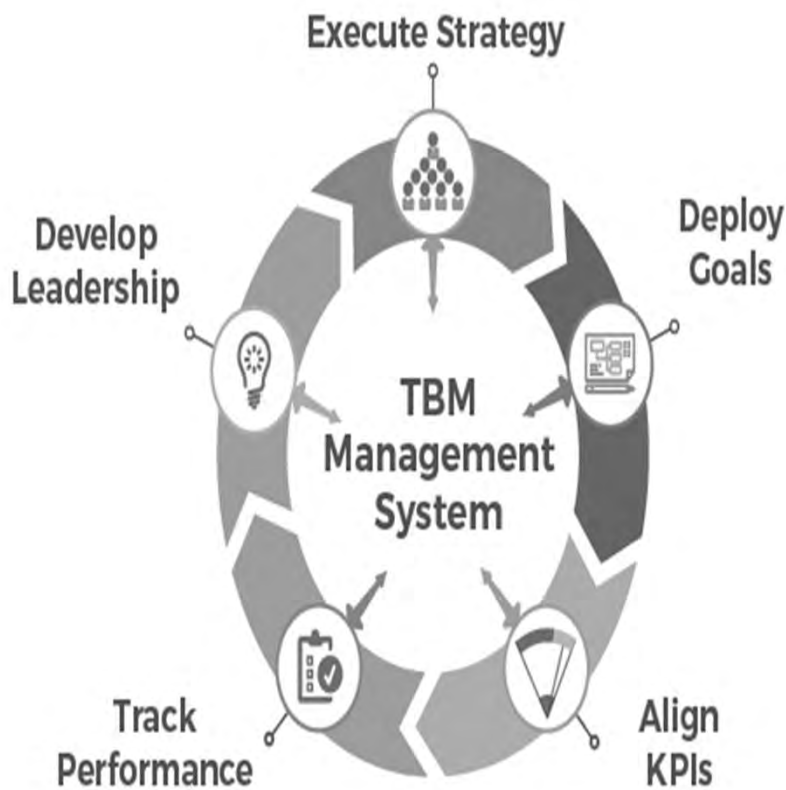


The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy.

— *Martin Luther King* —

AZ QUOTES

Improving productivity of the organization

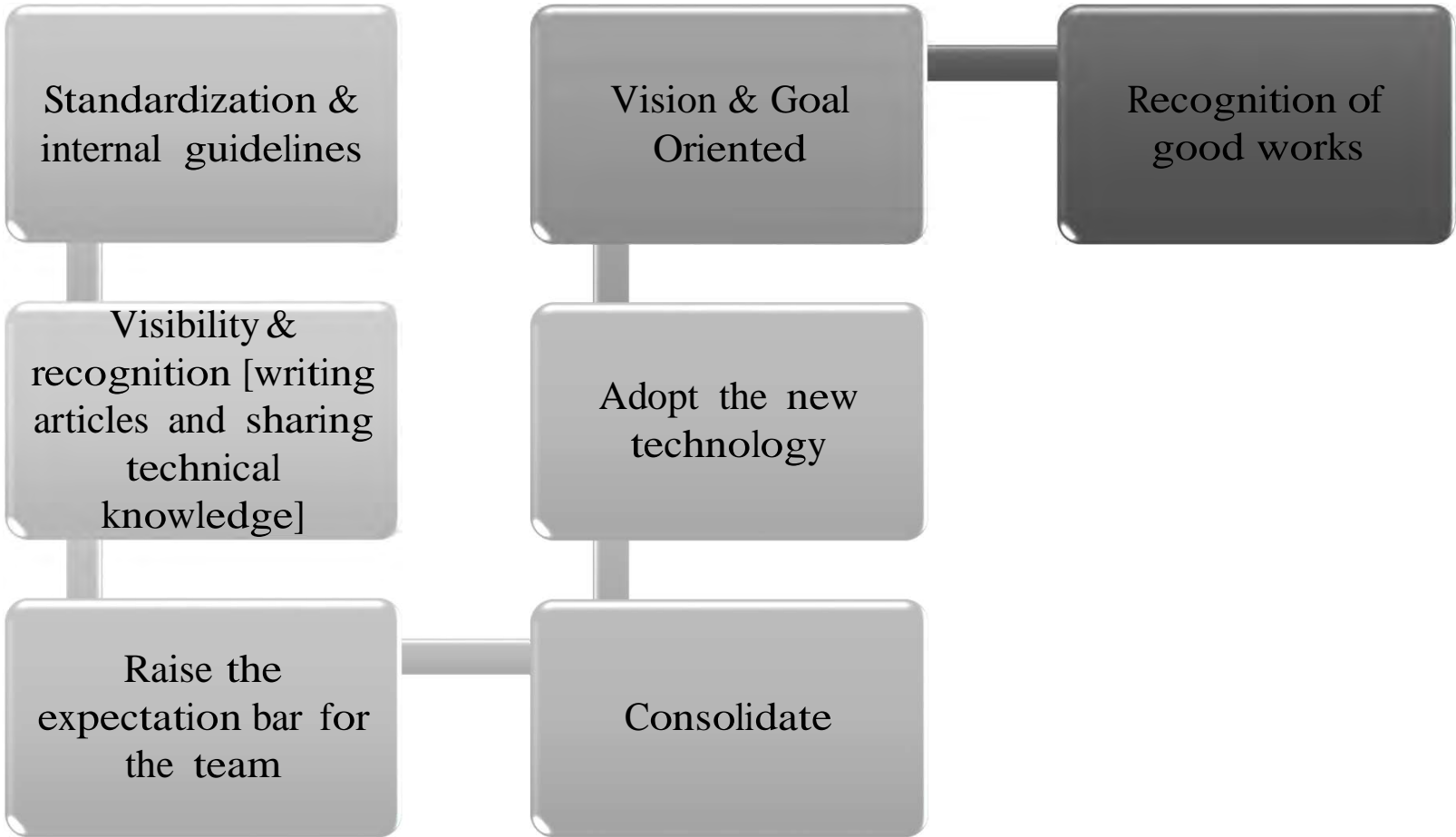


- Leadership
- Strategic Management
- Knowledge Management
- Revenue Enhancement
- Newer Opportunities
- Marketing the work
- SWOT Analysis
- Self Development Programs

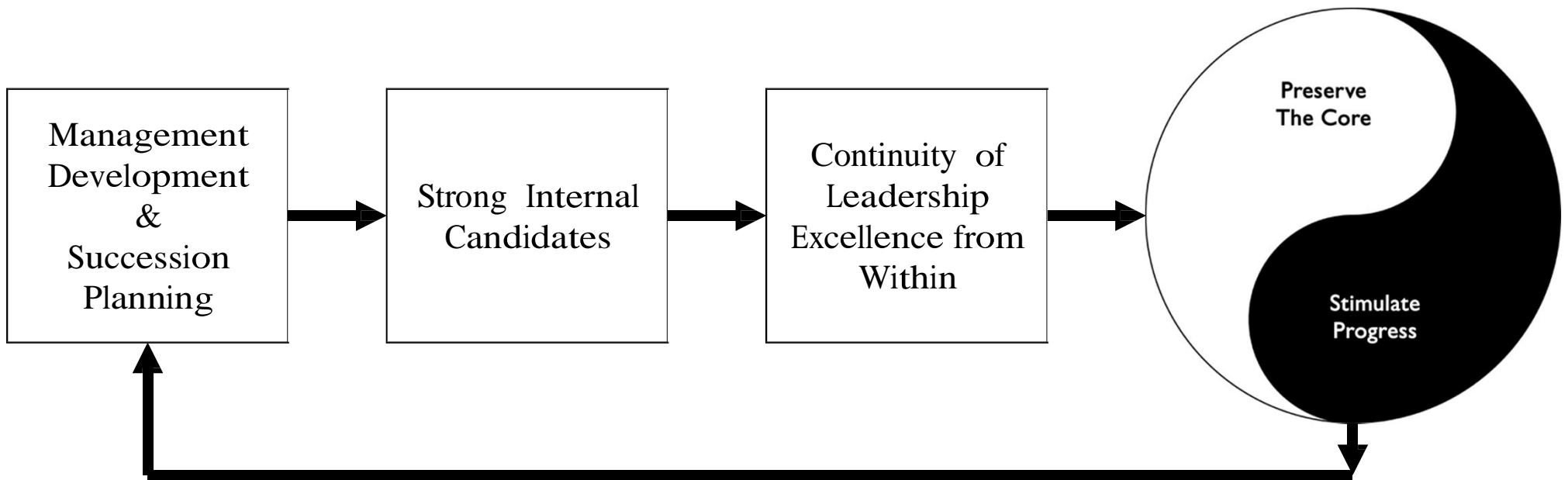
Suggestions for SMP from International Accounting Body

- Develop a strategy to counter competition
- Manage people – Staff
- Serving large clients with a small but dependable team
- Exceed client expectations
- Find a niche
- Build an informal network and collaborate
- Automate where possible
- Build a brand
- Listen to the market to seize opportunities and diversify while remaining specialised

Few tips



Way forward – Leadership Continuity Loop



Future of Auditing Profession

Audit balance – Too little ! Too Much !!!



A black and white photograph of R. Buckminster Fuller. He is an older man with glasses, wearing a dark suit jacket over a light-colored shirt and tie. He is smiling and gesturing with his hands towards a large, complex geodesic dome structure made of thin rods, which is the central focus of the image. The background is slightly out of focus, showing what appears to be a workshop or office environment with various items on shelves.

**“We are called to be architects
of the future, not its victims.”**

-R. Buckminster Fuller



HR Audit

“The things that get measured get managed”



Timesheets powerful tool – self discipline & better output

MY TIMESHEET
PAST DUE
REJECTED
ALL TIMESHEETS

<
Sep 05 - Sep 11, 2016
>
📅

NOT SUBMITTED

TOTAL
00:00

BILLABLE
00:00

NON-BILLABLE
00:00

☰
📄

[Add Task](#)
•
[Take Leave](#)

TASK / HOURS	BILLABLE	MON 07	TUE 07	WED 07	THU 07	FRI 07	SAT 07	SUN 07	TOTAL	STATS
HOWARD HUGHES MEDICAL .. - Development HHMI Sharepoint Dev	▼	03:20	03:20							<div style="width: 50%; height: 10px; background-color: #ccc; margin: 0 auto;"></div>
HOWARD HUGHES MEDICAL INSTITUTE HHMI Sharepoint Dev - Development	▼	03:20	03:20	03:20	03:20					
HOWARD HUGHES MEDICAL INSTITUTE HHMI Sharepoint Dev - Development					03:20					
Add Task										
TOTAL TASK HOURS		08:35	08:35	08:35						
ATTENDANCE HOURS / TIMESHEET HOURS		08:35	08:35	08:35						

Save Changes

Submit Timesheet for Approval

Submit for entire week

Talent and Relevance

Communicate to Add Insight and Drive Relevance



Insights do not emerge automatically; rather, they are developed and communicated using a different approach driven by firm culture.

Leveraging Technology to Add Relevance



Innovation and relevance go hand-in-hand. Without innovation, CPAs cannot remain relevant.

Experienced-Based Learning



Successful firms welcome change, and the auditor who evolves along with the client is better able to add value to the audit.

Few more thoughts to share

- How to communicate to Those charged with Governance that:
 - good financial reporting enhances SMEs performance
 - sound accounting records and audit practices by SME facilitates effective decision making
 - importance of audit services on small and medium scale enterprises-
 - Fraud prevention, Risk of misstatement, drives business objectives, improves cost of capital
 - Good accounting facilitates preparation of financial statements which are :
 - Reliable, Timely, Accurate, Relevant, Clear, Consistent

- Conscious decision for acceptance of new client and continuing the existing engagement

- Merger of small firms for synergy [eventually this will work if there is Trust and Compatibility in the DNA of the firms being associated]

FUTURE IS IN YOUR HANDS





Thank You