



Remote Auditing: “The New Normal?”

Lessons Learned for an Effective and Efficient Audit

Presented by: **Barry M. Pelagatti, CPA** | Practice Leader, Financial Services Industry Group



Meet your presenter



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Barry is a Partner in RKL's Audit Services Group and leader of the firm's Financial Services Industry Group. With more than two decades of service to financial institutions throughout the Mid-Atlantic, Barry directs the strategy, growth and management of RKL solutions for banks, credit unions and other institutions, ranging from assurance and tax services to data security assessments and business continuity planning. Barry also serves as Managing Partner of RKL's Exton Office.

Remote Auditing

While remote auditing is not necessarily new, COVID-19 required an immediate need for professional services firms, and their clients to transition from selective remote procedures to an a fully immersive remote process.

June 2020 survey by PwC, 54% of US CFOs said they expect remote solutions to become a permanent option for many roles.

Significant change from a similar March 2020 CFO survey that indicated 63% worried that remote options would result in a productivity hit.

Is this the “COVID Silver Lining?”

Primary Focus Areas for this session:

Tips for preparing for a remote audit

Executing the remote audit

Benefits of remote auditing

Risk of remote auditing

Preparing for a remote audit

- Communication and collaboration between Management, Supervisory Committee (SC) and Audit Team is even more critical
- Be precise with the schedule AND logistics, and establishing individual accountability
- Determine what IF ANY activities can't be performed remotely
 - What if on-site work is necessary – (i.e.: manual loan documents)
 - Internal audits versus financial statement audit
 - Branch audits
- Identify the acceptable information communication tools (ICTs)
 - ZOOM, Microsoft Teams, Go-To-Meeting, etc.
 - Audit firm provided file sharing software
 - PASSWORD REQUIRED “Read-only” access to client systems

Preparing for a remote audit (continued)

- Establish formal roles and responsibilities for all parties within the remote audit process
- IT personnel **MUST** be included in remote audit prep
 - Responsible parties must be equipped with the proper tools AND trained
 - Virtual meeting restrictions need to be known
- Demand detailed client request list, and upload dates

Preparing for a remote audit (continued)

- Conduct a pre-audit walk through of the uploaded materials to ensure they are adequate to allow for proper review
 - Documents must be:
 - Accurate
 - Complete
 - Relevant
 - Reliable
- Consider and prepare for “Cyber Risk”
 - Use of e-mail as an exchange in STRONGLY discouraged

Questions in preparing for a remote audit

- Will auditors be held to the same standards as with an on-site audit?
- Do we need to practice with remote technology platforms?
- Do all Management and SC members have access to the platforms?
- Has IT authorized all platforms, and ensured company and member confidential information is protected?
- What is my role in the remote audit?
- Can we request the remote team to come on site?
- How have our controls procedures been impacted by remote workforce?
 - Have manual controls become digitized OR automated
 - Has this created any operation, compliance, financial reporting risk?

Executing a remote audit

- Audit standards are THE SAME as if conducting an on-site audit
 - Do not let your audit firm conduct the audit in isolation
 - Obtain an understanding of how they are interfacing with management
- Manage the pace of the audit and keep your accountants in compliance with any reporting deadlines
 - Hold management accountable for being responsive to audit team request
 - Anticipate downtime due to unforeseen technology issues
- Closing meetings should be as detailed as under a traditional scenarios
- Preserve electronic communications between client and audit firm
 - Many discussion that may have traditionally been face-to-face will be electronic

Executing a remote audit

- Remote Interviews:
 - 30-to-90 minutes with Senior Management critical to financial reporting, or the Internal Audit in process
 - 15 minutes with process owners
 - 10 minutes with staff level employees on critical processes
 - Supervisory Committee Chairperson – OUTSIDE of FORMAL SC Meeting
- Have questions prepared, and critical discussion points provided in advance

Executing a remote audit

- Cameras should be ON!!!!
- Be flexible and candid with your schedule – an effective audit is a two-way street
- Consider scheduling virtual “Audit” room time
 - Creates an environment for:
 - Contemporaneous questions
 - “Real-time” auditing
 - Meeting SAS 99 burden for “unpredictability”

Benefits of remote auditing

- Health and safety of your CU team and members, as well as “social re-acclimation”
- Flexibility in scheduling the audits
- Improved organization of required documentation
- More focused audit pace
- Greater flexibility in the auditing process
- Expanded pool of available auditors
- Expanded use of specialists
- More audit coverage and sampling processes
- Limited disruptions on management (if properly prepared)
- Reduction of travel expenses

Risks of remote auditing

- Increased security / CYBER risk
- Disruptions due to lack of preparedness
- Reduction in the quality of the objective evidence collected
- First-hand observations CANNOT be replaced
- Inadequate technology
- Lack of management connectivity / rapport
- Increased risks of fraud (SAS 99)

Do You Have Questions?





ADVISORS for
WHAT'S NEXT

Thank You for Joining Us

Whatever your next move, we're here to help.

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