Transforming the Audit with Technology

Reducing Time, Cost & Risk with Accounting Automation

BLACKLINE

When it comes to the audit, it's rare to hear clients and audit teams finish up the exercise and declare, "Well, that was easy!"

Experience has shown that the year-end audit can be a painful ordeal. It can mean weeks or months of digging up information from applications, shared drives, spreadsheets, and paper binders across multiple locations and time zones.

It can involve endless back-and-forth between accountants and auditors over email, in on-site meetings, and on conference calls. Accountants chip away at the audit team's PBC list, but discrepancies can trigger more sampling and testing—and anxiety over a potential material error.

And for accounting teams, the audit burden often comes on the heels of already tight monthly close deadlines. Accounting professionals have invested a lot of time and effort into generating clean financials, and don't necessarily relish the idea of their work being scrutinized.

Unpleasant though it may be, the year-end audit is a necessary fact of life. So are audit activities that go on throughout the year, with periodic walkthroughs, quarterly 10-Q reviews, and SOX 404 controls testing. All the while, both clients and auditors are under pressure to stay current on ever-changing regulatory requirements and audit standards.

What isn't necessary is the stress and inefficiency that surrounds audits.

Minimizing Audit Pains & Apprehension

Minimizing audit pain points requires rethinking manual accounting processes and embracing modern financial close technology. But first, it's important to identify some of the common challenges faced during the audit:

- Regular meetings to discuss PBC requests and their status
- Unexpected fees due to inefficiencies or delays in providing requested documents or evidence
- Difficulty chasing down supporting documentation
- Lack of transparency into, and accountability for, audit requests and findings

Your organization can improve the audit process while building a foundation for continuous process improvement through four key focus areas.

Finance Automation

Using technology to automate month-end close processes, from account reconciliations to balance sheet fluctuation analysis and beyond, eliminates error-prone manual work. Ultimately, this contributes to clean, validated financial records.

Stronger Controls

Customers can utilize controls embedded within financial close software to help ensure adherence to policies, procedures, and regulations, and build out a systematic financial controls environment.

Centralized Information

A single repository for accounting close information simplifies how accounting teams and auditors find, share, and review information. Drilling down into transactional details takes minutes—compared to hours or days with a manual approach.

Direct Access for Auditors

Providing external and internal auditors with read-only access to a financial close platform dramatically reduces manual work for both client and auditor. There's less prep time, back-and-forth, and chasing down details.

When core close activities are streamlined, the client's accounting and finance team can focus on delivering necessary and thoroughly validated information to both stakeholders and auditors. And auditors are better able to perform their work with access to supporting documents and a built-in trail of activities and approvals.

3 Key Advantages of Financial Close Technology in Audit Processes

With financial close technology, clients and auditors move from detective, reactive audits to a proactive, automated approach that delivers three key advantages:

1. Introduces new transparency and trust in the client-auditor relationship
2. Saves time in the audit process
3. Saves money

1. The Client-Auditor Relationship

Neither company management nor the auditor wants a contentious relationship, yet the client-auditor relationship is somewhat uncomfortable by design. The auditor, after all, must be independent, and is tasked with verifying, validating, and forming their own opinions—regardless of how trustworthy and cooperative the client may be.

But despite a naturally adversarial component, the client-auditor relationship doesn't have to be strained. In fact, both sides would prefer to collaborate and support one another. This starts with a foundation of mutual respect and transparency, and is supported by modern financial close technology.

Transparency doesn't exist when vital information is hidden away in spreadsheets or binders that are difficult to access. This approach leads to a lot of manual work for both client and auditor when it comes time to extract and review that data.

Sometimes it's a devilish detail: a paper document is missing a date, or a signature is illegible. A small oversight like that can cascade into a major problem. Electronic timestamps and sign-offs on information aggregated in a finance automation solution eliminates that risk.

Transparency builds trust. Auditors love it when they can easily assess the who, what, when, where, why, and how behind any account balance or journal entry. The hassle of back-and-forth exchanges and piecing together details is replaced by confidence that information is documented and accessible in a single location.

Transparency and trust extend across all levels of both accounting and audit teams, from staff to senior executives. It's a win-win relationship that pays dividends for years to come because the auditor can serve more as a strategic advisor, better able to help the organization understand and comply with complex accounting regulations.

Audits are a non-event for us now. Auditors can pull the information they need directly out of BlackLine. It's a huge time savings for us, and they really appreciate not waiting on us.

JEANETTE NIMMO
GL GLOBAL PROCESS OWNER, HYATT HOTELS

2. The Audit Process

Even at organizations that rely on manual accounting processes, many client-auditor relationships are solid. Still, both parties agree that there's plenty of room for process improvement.

Between ongoing SOX procedures, quarterly reviews, year-end audits, and other process audits, it's no wonder companies often feel like the auditors never leave. And while there are plenty of important reasons to have another set of eyes on things, everyone agrees that audits usually take more effort than they'd prefer.

Modern technology for financial close automation enables more efficient audits in several ways.

Easy PBC Management

Even the client-audit teams with the healthiest relationships have experienced challenges around the process of requesting and providing information to support audit procedures. Before the audit can even get started, the Prepared by Client (PBC) process is often the cause of a decent amount of "he said, she said."

This adds stress and inefficiency beyond that which is already caused by the actual review and testing. Without a centralized process, and without a centralized record of which items were requested, by whom, and when, it's too easy for requests and responses to get lost in the shuffle.

If an auditor had a request to see reconciliations, they were going to one group to get it, then to another group to see the journal entry behind it. With BlackLine, we have one consolidated place for everything, and the process is streamlined.

SHAKORA DERIXSON
FINANCE MANAGER, SUNTRUST BANKS

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With everything stored and accessible in a single cloud solution, both staff and auditors have a unified place to request and provide PBC items, as well as monitor status. Rather than recurring meetings to hash through a list, both parties can readily see what's done and what's in progress.

And better yet, documents themselves can be attached to their corresponding request. No more finger pointing.

Less Prep Time

Staff no longer need to spend days manually pulling, preparing, and aggregating spreadsheets and paper files when financial close technology is in place. Instead, auditors are given read-only access to a platform where the most critical activities are performed.

Whether it's testing individual journal entries, ensuring proper approval, or sampling balance sheet accounts for substantiation, integrating the audit trail and the related support saves time. Companies can attach back-up documentation and use rules to limit or automate approvals.

For a client, providing hard copy files either requires copying—and therefore wasted paper and time—or parting with the only version of something and risking that it could disappear. The same is true for sharing files on flash drives or other hardware. Though less time is wasted, the risk is increased.

With everything in the cloud, there's a single source of the truth and auditors can sample and review the records they need, anywhere and anytime.

Limited Risk & Less Confusion

It's not uncommon for management to identify adjustments or require modifications to results or documentation. After all, that's what reviews are for.

But what if the auditors were already provided a copy? Not only can version control issues cause confusion and subject the client to added questions or scrutiny, it wastes time for both sides if items must be requested and tested again.

With BlackLine, all our reconciliations are in one place, and they're consistent from month to month. This has enabled us to reduce our year-end audit period from four months to just three.

CATHY JURGENSEN
GENERAL ACCOUNTING MANAGER, CORPORATE OPERATIONS US, GRIFFIN TECHNOLOGY

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3. The Cost

While there may not be a specified audit fee discount for embracing technology, there are a number of ways technology helps minimize costs.

Reduced Travel Expenses

With anywhere, anytime access to centralized information in BlackLine, auditors can work remotely. Onsite time is limited to certain times or procedures, and the need to visit subsidiary or satellite locations is minimal.

This means that travel and other costs associated with on-site work are much lower. For auditors, this allows resources to flex their time between clients, potentially increasing productivity and billable time.

Less Sampling & Testing

Manual processes are error prone. If auditors find errors, they may proceed with additional sampling that can trigger unexpected fees, as extra testing is outside the anticipated scope.

Technology limits the risk of error and provides best practices and segregation of duties "out of the box." As a result, auditors may focus on testing IT controls or reviewing configurable business rules rather than performing extensive sampling and detailed testing of transactions.

It took us two to three hours to get all the reconciliations into the conference room, put them in order, and make sure they were complete. Now we just have to set up the auditor log in, which takes minutes.

PAIGE WILLIAMSON
ASSISTANT CONTROLLER, SADDLE CREEK

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How BlackLine Simplifies & Streamlines Audits

Top accounting and finance teams are streamlining audit processes, reducing costs, mitigating risk, and building collaborative client-auditor relationships with the BlackLine finance automation platform.

BlackLine brings efficiency, visibility, and controls to Accounting and Finance. The unified and integrated platform drives continuous improvement across the organization and embeds quality into financial processes and records.

That quality bubbles up to support yearly and ongoing audit activities. It contributes to an efficient and positive process that allows an audit team to obtain sufficient and appropriate audit evidence that confirms key audit assertions, particularly in the areas of completeness and accuracy.

BlackLine customers consistently credit the platform for helping them accelerate and simplify audit processes. Griffin Technology, which provides accessories for personal computing and digital media, has shortened its year-end audit by 25%—from four months to three.

Saddle Creek Logistics Services, with nearly three dozen locations in the U.S., has cut audit prep time from three hours to minutes by giving auditors read-only BlackLine access.

And SunTrust Banks has eliminated multi-step processes for auditors to review reconciliations and corresponding journal entries.

Audits may be a fact of life, but stress and anxiety don't need to be a part of the process. Companies that utilize financial close technology move through audits faster and with better results, and they have stronger, more transparent financial management throughout the year.

BlackLine has enabled us to improve the efficiency and results of the end-to-end audit process. It's really given us and our audit committee comfort that we have embedded controls within our business.

ACCOUNTING MANAGER, UTILITIES COMPANY

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