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# Audit: Gravy train or off the rails?

Managing audit resources is easier said than done... AdvanceTrack can help you stay on track

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# Audit reform stalls, audit evolution continues

Regulation may have stalled, but the pace of change in the audit market is speeding up. Vipul Sheth considers what it means for practice owners.

**Y**ou will have seen, no doubt, that a 'beefing up' of corporate governance in the UK is being pared down.

The accountancy, reporting and governance watchdog, the Financial Reporting Council (FRC), said plans to add 'comply or explain' on the effectiveness of corporates' internal controls would be dropped.

But this current stalling is impacting not only big business, but even accounting practices – ones well below the Big Four. Crucially, missing from the King's Speech was legislative reform of the watchdog itself: The FRC's transformation into the Audit, Reporting and Governance Authority (ARGA) was again notable for its absence from the legislative timetable.

ARGA's creation is seen as crucial in driving competition among the larger audits, alongside increasing quality of the work itself. You will also be aware of the myriad audit cases that the biggest firms have faced in recent years, and have led to the desire for change, so there's no point in listing them.



## Audit: moving on

So, what has changed? Well, quite a lot actually. Firstly, the biggest audit firms have dramatically eased back the number of audits they're working on (though worth noting they still dominate the FTSE 250 audits).

The impact of them shedding hundreds of audits has been to shower them onto the next

tier of firms, and so on. Most small and medium-sized firms offering audit have seen a lot of work come their way.

However, being able to serve this evolved market is becoming very problematic. Namely, several tiers of firms are struggling to manage their audit capacity as work comes to them. We are aware of these firms becoming more selective themselves about the audits they take on – as we've already seen from the Big Four – and turning work away.

## Resourcing options

The bigger firms have run their own shared service centres for many years. This has not been an economical option for smaller practices. However, select aspects of audit can be outsourced and offshored – it's an area that more and more of our practice partners are working with us on.

So, while the government and its agencies continue to prevaricate over audit reform, the market is making its own moves.

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■ Vipul Sheth is MD and founder of [\*AdvanceTrack Outsourcing\*](#).



## FAQ

# Is it feasible to outsource audit work?

In our latest FAQ, we set out the key questions AdvanceTrack gets asked about our audit support services – with answers.

**T**he very short answer to the feasibility question is ‘yes’. However, feasibility is really a catch-all term covering a number of aspects that potential and existing practice clients ask AdvanceTrack about in terms of audit, and how we do it. It’s probably easiest to split the main areas of interest into:

- Our people/their work
- Our security
- Audit ‘responsibility’

### Our people/their work

First-off, we have a number of trained audit staff, and generally they’re delivering audit field work – the testing of financial information. But increasingly, as the team becomes more experienced, their work is developing.

They are being given opportunities to undertake audit planning and testing reviews. As the team continues to develop, alongside building relationships and working patterns with practices’ own audit team, that work will evolve further.

And that last point, on building relationships,

is crucial to any work we undertake alongside practices. There must be investment from both sides to ensure that work will be undertaken as smoothly as possible.

### Our security

And, so with audit, there are questions that we face around data security and GDPR. For those of you that have read our other blogs, or work with us already, you will know that security is our number one consideration.

There are links below for you to read in more detail how we manage security. Suffice to say that our standards are held globally, and our security and data protection protocols also translate to our audit services.

### Audit ‘responsibility’

A key question we get asked a lot by practitioners is: ‘are we allowed to outsource audit?’ We are registered as a member firm of the ICAEW, and our staff are assigned to the audit firm. We will help manage their CPD and other training requirements, but their work is very much



directed by the firm, which brings us to the point of responsibility.

In terms of responsibility for the work itself, our practice partners retain responsibility for review and signoff – they still have ownership of the process.

### Further reading

- [FAQ: Does outsourcing to India mean ‘GDPR compliance’?](#)
- [FAQ: How secure would my client data be if I worked with AdvanceTrack?](#)
- [FAQ: Do AdvanceTrack’s data and security standards matter to me as a client?](#)

If you’d like to talk to us about our audit offering, then please contact us [here](#).



# Late to the cloud party... but can they catch up?

Another tranche of practitioners is considering the cloud, but are they doing it for the right reasons? asks AdvanceTrack MD Vipul Sheth.



**W**e all know and appreciate that once you've 'been around the block', you usually come back to the same point but at a different time.

For us experienced in practice, tax and/ or technology, hearing similar conversations or seeing similar things happen is the norm. Sometimes these situations happen over many years – sometimes, for example, we get new chancellors saying the same thing every year.

There is now a sizeable tranche of accounting practices that made large, sometimes wholesale, moves to operate in the cloud over the past five-to-ten years. These early adopters could see the value of flexibility and security afforded by running their business in the cloud.

But there is a very sizeable tranche of practices that haven't made that move – or are only now considering it (and often through their old tech becoming obsolete – or upon request of their clients). Certainly, at numerous events this year, I've heard conversations about 'tell me about the cloud' that wouldn't have been out of place ten years ago.

Practitioners that feel they're being 'dragged

into' updating their tech stack are, in my opinion, unlikely to make the most of the change. I'd envisage they would try and replicate out exactly how they worked before any fundamental IT or operational switch-up.

While I have concerns about their approach, it is at least positive to see them attending events in the first instance – there is certainly a wealth of information that they can receive.

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“A poorly planned update to platforms and systems will end up failing – clients will simply walk”

### Full circle

The early cloud adopters, generally, understand where they're heading – and also have a mature approach to IT investment and management. They will need advice and support from their tech providers, but this will often be strategic support as opposed to hand-holding.

There is certainly a concern that a wave of late adopters may eat up the time and energies of the major tech platform providers in the coming months and years. This may even see

support costs rise across the board – which, after recent tech licence increases, would certainly be unpopular.

Ultimately, we need these late adopters to build a plan. This should start with the basic question: What are they going to deliver and to whom. Even if there is no alteration in that plan, asking the question should precede any major tech change, because those answers must be clear before asking: 'how am I going to deliver?'

Certainly, a poorly planned update to platforms and systems will end up failing – clients will simply walk. As mentioned earlier, there's tons of good content out there – whether at Accountex, trade shows or the ACCA and Xero roadshows that AdvanceTrack has partaken in.

Invest your time, and your thoughts, into making your practice future-proof.

■ *Vipul Sheth is MD and founder of AdvanceTrack Outsourcing.*



## Audit Support services

Firms looking to manage their audit resource this coming season, get in touch for quality staff on an Outsourced or Offshored basis

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