

Challenge #3

Statement

How might we create a data extraction and data matching platform for test of details which will replace a large amount of manual effort that typically comes along with performing vouching in an audit process?

Challenge #3

Background and Context

During the audit process, there are procedures the auditor undertakes to detect possible misstatements in financial reporting; that is, auditors are testing the figures that appear in the financial statements. This test can be divided into two categories: Substantive Analytical Procedures and Tests of Details (ToD).

The focus of this challenge is on ToD which involves selecting specific items in the accounting records and checking to ensure that they are supported by authentic documents. For example, taking a sample of expense transactions and checking them to supporting documents such as purchase invoices and receipts. This checking or “vouching” means taking a recorded amount and tracing it back to the authentic supporting document(s).

Challenge #3

Background and Context

Specifically, we are interested in a data extraction and data matching platform that will agree the accounting entries to:

- authentic source documents (i.e. vendor invoice);
- cash transaction in the bank statement

The platform should be able to:

- provide audit clients a secure location to upload documents and automatically process that document against the accounting entries
- provide status update in the form of a dashboard and alerts to the audit team

The vouching process is currently done manually, by human examination of several documents, after which this information is manually extracted and validated. This process is tedious and can be very time-consuming, even when performed on a sampling basis. This platform is expected to automate the information exchange, processing and reporting of results.

Challenge #3

Common Challenges and Considerations

- Vouching is the most time-consuming task within the audit process – Evidence provided for the audit typically comes in one or multiple documents in Excel or PDF that can have in excess of 250 pages. Finding and extracting the relevant information from the support files can be tedious as documents may be in PDF, images, or hard copies where you are not able to copy and paste text from.
- Vouching is a voluminous task due to multiple samples required and multiple checks repeated for each sample to verify to a client's accounting records – multiple checks means, checking to both supporting invoice as well as cash statement.
- Intensively manual process – Documentation of evidence testing is manually typed into Excel sheets and it is difficult to distribute work for a large amount of samples to multiple staff members.
- Lack of technology to aid this process – Supporting documents provided by clients can be in many different formats and layouts, thus making the use of traditional Optical character recognition (OCR) tools time-consuming and costly to setup and maintain.