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Evolution and development of auditing

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The history of Accounting, stewardship and total separation of the roles of agents from principal beget Auditing history. This study adopted exploratory method by reviewing relevant extant literatures. We traced the history of auditing and evaluated the various dynamics of duties of auditors over the years. It was discovered that the duties of auditors have changed over time. The original functions assigned to the auditors in the inception was to detect fraud and help ease the mind of the principal by ascertaining that the agents have shown the true financial situation of the business. Much later in history, this duty changed since auditors are not guarantors and there is no way they can ascertain 100% that the report prepared and presented by the agents are free from fraud, therefore, the auditors were expected to give reasonable skill and care in giving their opinion on whether the financial statements faithfully represent the financial situation of the business. The roles of auditors were seen to be changing due to changes in the world at large as such this paper evaluated the effect of fraud cases on the evolving auditing roles. We concluded that the past indeed influenced the present and subsequently the future through the use of CAATs, therefore auditors should strive towards understanding their roles as these have been the main bane in audit history.

Key words: Auditing, accounting, evolution, CAATs, agency theory.

INTRODUCTION

The curiosity to verify and obtain an expert opinion is the sole purpose of auditing and this is in human nature. The history of auditing can be traced to history of accounting, which all began from the separation of the duties of agents from principal. Where the principal provides the fund, the agents use this fund (Agency theory) and prepare reports on how the fund was used (which is accounting) to the auditor who verifies the genuity of such reports and give his opinion before such is presented to the principal. Consequently, the agency theory, accounting theory and auditing theory are intertwined.

The significant aspect of the history of auditing theory is the role and functions of auditors. Saleem (2012) opined that their roles have not been well defined from inception.As observed by Iuliana (2012) auditing has permanently evolved, answering to the changes in the environment and modifying its objectives starting the middle age, passing through the industrial revolution up to the 21st century.The widening gap between management and action has made it necessary to developa series of controls by means of which the business may be administered efficiently.The internal auditor perfects and completes each of these activities by providing onthe-scene appraisal of each form of control. There is no known substitute for this activity (Walsh, 1963).

Porter (1997) further explained that prior to twentieth century, one of the objectives of auditors was fraud detection he explained that it was the auditor's responsibility to report to shareholders all dishonest acts which had occurred and which affected the propriety of the contents of the financial statements.However, the ever evolving business world makes it difficult for auditors to verify the accounts one after the other due to the volume of transactions involved, sampling techniques are used and as described by Porter (1997) it offers only reasonable assurance of the contents of financial statements, as such the previous duty of fraud detection was expunged from their duties. In the 1930s, Vanasco (1998) explained that it became generally recognized that the principal audit objective was the verification of accounts and the profession took the position that fraud detection was management's responsibility since management had a responsibility to implement appropriate internal control systems to prevent fraud in their organizations. He further explained that auditors were unable to uncover fraud that involved unrecorded transactions, theft and other irregularities.

In line with this, AbdulGaniyy (2013) traced the evolution of the auditing process from its leisurely Victorian beginnings where armies of clerks checked and ticked everything in their client's books, to the transformation in the 1960s when, with the growing scale of clients auditing became more a matter of checking a client's systems rather than the records themselves. The changes in the 1980s are also documented when because of the growing pressure on audit fees from clients meeting the threat of global competition; auditors began to put their faith in such nebulous techniques as risk assessment. Derek (2006) further emphasized that auditors also had to cope with the advent of computerization which robbed them of the audit trail. In the early 20th century, the reporting practice of auditors, which involved submitting reports of their duties andfindings, was standardized as the "Independent Auditor's Report." The increase in demand for auditors led to thedevelopment of the testing process. Auditors developed a way to strategically select key cases as representativeof the company's overall performance. This was an affordable alternative to examining every case in detail, andit required less time than the standard audit (Hasyudeen, 2009).

From the above purview, tracing the history of auditing theory becomes important which is the crux of this work. The remainder of the paper is divided into the following sections: section 2, explains the objective and methodology of the paper, section 3 describes the meaning of auditing, section 4 explores the historical background of auditing theory, section 5 relates fraud cases to auditors role, section 5 examines the historical development of auditing in Nigeria and section 6 concludes the study.

OBJECTIVE AND METHODOLOGY OF THE STUDY

This study is an exploratory research that basically reviews extant literature on the history and evolution of auditing theory with the sole aim of understanding the reason for the present audit in order to predict the future audit.

HISTORICAL BACKGROUND OF AUDITING

The word "audit" comes from the Latin word audire, meaning "to hear" "to listen". According to Flint (1988), audit is asocial phenomenon which serves no purpose or value except of its practical usefulness and its existence is whollyutilitarian. Wang (2004) explained financial audit to mean the process of reconfirming of self-identity, self-measurement and self-edit on financial accountability of management. Cañibano (1993) defines audit as being, in general terms, to examine and check information, check information, register, processes, circuits, having as an object to express an opinion over the beneficiations and its viability. Audit is a way of improving patient care by looking patient care by looking at what you do, to see if you can do it better.

According to Power (1999), auditing refers to a systematic and independent examination of books, accounts, documents and vouchers of an organization to ascertain how far the financial statements present a true and fair view of the concern. Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events toascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users (Raffa, 2003).

Auditing has its history to a large extent determined by the history of accounting, as the latter metamorphosed and culminated with the development of the world economy (Tanko, 2011). Salehi (2008) observed that although ancient cultures of Mesopotamia, Egypt, Greece and Italy show evidences of highly developed economic systems, yet the economic fact during these periods were limited to the recording of single transactions.Salisu (2011) observed that archeological artifacts and findings revealed that writing was in fact developed by accountants.

Iuliana (2012) traced the history of auditing to the pre-historical period. He explained that the auditing processes can be linked to the fundamental behavior of human beings in life situations. Imbedded in the way we listen and communicate in order to analyze, observe and make the best decision. In ancient past about 5000 years B.C., there was evidence of first writings, developing new forms of organization, new socio-economic formations, and philosophical, cultural ones. Once to these has appeared the necessity of improving the economic situation of the tribes or kingdoms. Therefore this task has been given to a member of the community, who knew how to write and dominated the numbers to realize activities of organizing the data and figures, which would allow an evaluation of the economic situation to make appropriate decisions. Thus, the auditing process was said to have begun by about the 400 BC where the ancient Egyptians and Babylonians had auditing systems for checking movement in and out of storehouses, including oral "audit reports", resulting in the term "auditor" (gotten from the latin word “audire”, meaning “to hear”*)*.

Iuliana (2012) further emphasized that from the Roman period the first real accounting registers “Codex Tabulae”, which on one side were registering the cashing “aceptum” and on the other side the expenses “expesum”. After 235 A.D. the accounting was highly important in the Roman Empire. He observed that the running of a Register for house operations“el Adversaria” and a register for all the other operations “el Codex”, by whose help the Romans have a precise control on the estate. The bankers from this period have been the ones who have developed mostly the techniques of the accounting. During the Middle Ages appears a new economic system of organization, spiritual and social one in which a great importance for the development of the accounting has had the catholic church which in the 800 AD was leading documents of annual inventory of the estate. In Italy and France the accounting activity became a prestige profession, made by the intellectuals “escribanos”, developing essential values for the professional ethics – such as honesty and correctitude. Luca Paciolo publishes in the Venice of 1494 “Summa de Aritmetica, Geometricaproportioni et proportionalita”, where it gives a clear and detailed explanation about registering in double and about the necessity of leading a sincere accounting.

Lee (1994) observed that generally, the early historical development of auditing is not well documented. Auditing in the form of ancient checking activities was found in the ancient civilizations of China (Lee, 1986), Egypt and Greece (Boyd, 1905). The ancient checking activities found in Greece (around 350 B.C.) appear to be closest to the present-day auditing. Similar kinds of checking activities were also found in the ancient Exchequer of England. When the Exchequer was established in England during the reign of Henry 1(1100-1135), special audit officers were appointed to make sure that the state revenue and expenditure transactions were properly accounted for (Gul et al., 1994). The person who was responsible for the examinations of accounts was known as the “auditor”. The aim of such examination was to prevent fraudulent actions (Abdel-Qader, 2002).

Likewise, the existence of checking activities was found in the Italian City States. The merchants of Florence, Geneo and Venice used auditors to help them to verify the riches brought by captains of sailing-ships returning from the Old World and bound for the European Continent. Brown (1992) examined that the audit found in the City of Pisa in 1394 was somehow similar to those found in the Italian City State which was meant to test the accounts of government officials to determine whether or not defalcation had taken place.

A prominent work in the examination of history of auditing is the work of Lee and Azham (2008), they divided the history into five chronological periods of; before 1840’s, 1840s- 1920’s, 1920’s – 1960’s and 1960’s - date. Their observations are summarized as follows:

Before 1840’s

The activities of the auditors can be summarized in this period as follows:

(1) There was no structured business and as such no formal internal control was established
(2) Lee and Azham (2008) observed that the auditing at the time was restricted to performing detailed verification of every transaction. Thus, the concept of testing or sampling was not part of the auditing procedure.
(3) Fitzpatrick (1939) opined that the audit objective in the early period was primarily designed to verify the honesty of persons charged with fiscal responsibilities.
(4) The sole duty of auditors was to detect fraud. He was seen as a bloodhound and not a watchdog (Police man theory)

1840’s – 1920’s

The Industrial Revolution of the United Kingdom was between this period and it contributed immensely to the expansion of businesses and subsequently evolution of the role of auditors. The contributions of this period to the field of auditing are summarized as follows:

(1) The Joint Stock Companies Act was passed in UK in the year 1844 providing for the appointment of auditors to check the account of companies.
(2) Porter, Simon, &Hatherly (2005) observed that the duties of auditors during this period were influenced by the decisions of the courts
(3) Leung, Coram, Cooper, Cosserat, & Gill (2004) explained the objectives of auditing in accordance with the book of Dicksee (1892) as: (i) the detection of fraud; (ii) the detection of technical errors, and (iii) the detection of errors of principles

1920’s – 1960’s

During this period, Porter(2005) explained that as companies grew in size, the separation of the ownership and management functions became more evident. Thus, agency theory was evident. The following are the main activities of this period:

(1) Internal control functions of the organization

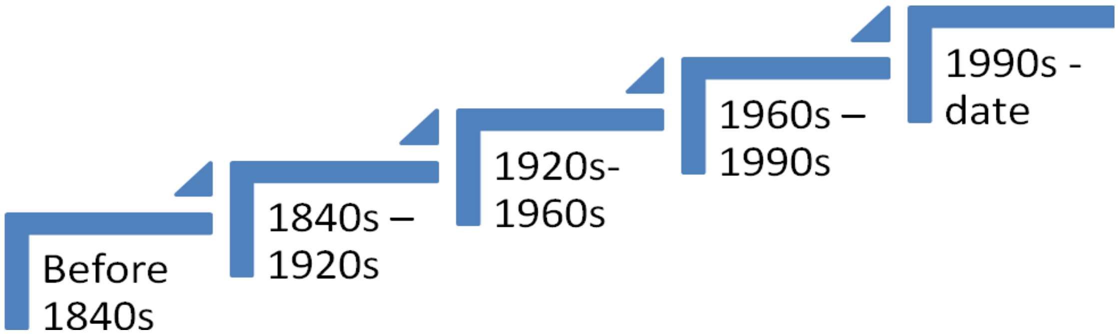

Figure 1. Historical timeline of auditing. Source: Author's compilation from the work of Lee and Azham (2008).

started as a result of inflow of funds from investors to companies, and the existence of functioning financial markets.

(2) The audit function was mainly to provide credibility to the financial statements prepared by company managers for their shareholders. Hence, lending credibility theory was developed and the primary objective of an audit function changed to adding credibility to the financial statement from the detection of fraud and errors.

(3) Queenan (1946) explained that the concept of materiality was used in this period. Also, Brown (1962) observed that sampling techniques were used in auditing during this period was due to the voluminous transactions involved in the conduct of business by large corporations operating in widespread locations. It was no longer practical for auditors to verify all the transactions.

(4) Porter, et al (2005) highlighted the major characteristics of the audit approach during this period, among others, to include: (i) reliance on internal control of the company and sampling techniques were used; (ii) audit evidence was gathered through both internal and external source; (iii) emphasis on the truth and fairness of financial statements; (iv) gradually shifted to the audit of Profit and Loss Statement but Balance Sheet remained important; and (v) physical observation of external and other evidence outside the "book of account"

1960's – 1990's

According to Davies (1996), auditing had undergone some critical developments in this period. He explained that in the earlier part of this period, a change in audit approach can be observed from "verifying transaction in the books" to "relying on system". Such a change was due to the increase in the number of transactions which resulted from the continued growth in size and complexity companies where it is unlike for auditors to play the role of verifying transactions. As a result Lee and Azham (2008) explained that auditors in this period had placed much higher reliance on companies' internal control in their audit procedures. Furthermore, auditors were required to ascertain and document the accounting system with particular consideration to information flows and identification of internal controls. When internal control of the company was effective, auditors reduced the level of detailed substance testing.

Salehi (2007) observed that in the early 1980, there was a readjustment in auditors' approaches where the assessment of internal control systems was found to be an expensive process and so auditors began to cut back their systems work and make greater use of analytical procedures. An extension of this was the development during the mid-1980s of risk-based auditing (Turley and Cooper, 1991). Risk-based auditing is an audit approach where an auditor will focus on those areas which are more likely to contain errors. To adopt the use of risk-based auditing, auditors are required to gain a thorough understanding of their audit clients in term of the organization, key personnel, policies, and their industries (Porter, et al., 2005) Hence, the use of risk-based auditing had placed strong emphasis on examining audit evidence derived from a wide variety of sources, that is both internal and external information for the audit client.

1960's – date

This period is characterized by the following:

(1) Adoption of the business risk approach in turn enhances auditor's ability to fulfill these responsibilities (Porter, et al., 2005).

(2) The ultimate objective of auditing is to lend credibility to financial and non-financial information provided by management in annual reports;

(3) Audit firms also provide consultancy services to businesses whereby, investigative arm of audit was separately done. The birth of forensic accounting.

(4) Introduction of Computer Assisted Audit Techniques (CAATs) that facilitated data extraction, sorting, and analysis procedures (Lanza, 1998) (Figure 1).

AUDITING AND INFORMATION TECHNOLOGY

The era of 1950 – 1960s are seen to be the dawn of computers and technology in the business world. Although the advent of computers did not immediately influence the auditing profession as described by Ramamoorti and Weidenmier (2004), the computer was first used to process business applications, with punched cards being used for data storage and batch processing. They emphasized that auditors generally followed an "auditing around the computer" approach by comparing the machine's input with its output (parallel processing), just as he/she had compared the voucher files with the ledger books in the early 1900s.

Over the next decade, as computers became increasingly faster and more versatile, tape drives replaced punched cards, and real-time online systems were introduced. These new systems threatened the existence of the paper audit trail, transforming it to a nonvisual, electronically stored format. At the same time, computer use within organizations proliferated. In fact, by the mid-1960s, over 50% of the top 500 industrial companies had extensive electronic data processing operations (Hafner, 1964). Specifically, in order to make information flow about manufacturing processes more efficient, several companies introduced Materials Requirements Planning (MRP) systems in the 1960s, and continued to refine them into the future (CICA, 2003b). With rapid changes in the business world Hafner (1964) emphasized that auditors only slowly realized they needed to be technologically proficient and, perhaps, adopt new approaches.

The 21st Century forced auditors to rather "work through the computer" in performing their functions as virtually all business transactions are conducted via the information technology. The type of audit is known as Computer Assisted Audit Techniques (CAATs). Braun and Davis (2003) defined CAATs as any use of technology to assist in the completion of an audit. This (broad) definition would include automated working papers and traditional word processing applications. Sayana (2003) explained it as the use of certain software that can be used by the auditor to perform audits and to achieve the goals of auditing. Kramer (2003) explained that CAATs' use is, nowadays, accepted in data analysis mainly because it is useful when large amounts of data are involved or complex relationships of related data need to be reviewed programmatically to glean appropriate evidence from the aggregated data.

Jenkiens and Pinkney (1978) explained that they increase the efficiency of the conclusions about data analysis. They are also used to detect fraud as evidence is gathered by interviews; document reviewing and CAAT are used. Although, Janvrin et al. (2008) observed that auditors accepted the CAATs, but more recent studies suggest that CAATTs acceptance is very low, this is due to the companies'uniqueness and it is dependent on the company dimension. Curtis &Payne (2008) examined the use of CAATs in the Technology Acceptance Model (TAM) and this was used to study Information Technologies' acceptance among auditors and the results from an experiment with experienced auditors suggest that firms have the ability to influence the implementation of new technology by using longer-term budget and evaluation periods and by communicating the approval of remote superiors regarding the software. In the absence of such firm interventions, the individual characteristics of the auditor (risk-aversion and perceptions of budgetary pressure) determine implementation decisions.

Computer Assisted Audit Techniques (CAATs) include: Generalized Audit Software, Data analysis software; Network security evaluation software/utilities; OS and DBMS security evaluation software/utilities; Software and code testing tools", Interactive Data Extraction and Analysis, and Audit Command Language.

ENRON'S CASE AND EVOLUTION OF AUDITING

The Enron scandal, revealed in October 2001, eventually led to the bankruptcy of the Enron Corporation,an American energy company based in Houston, Texas, and the dissolution of Arthur Andersen, whichwas one of the five largest audit and accountancy partnerships in the world. In addition to being thelargest bankruptcy reorganization in American history at that time, Enron undoubtedly is the biggest auditfailure.Enron was formed in 1985 by Kenneth Lay after merging Houston Natural Gas and InterNorth. Severalyears later, when Jeffrey Skilling was hired, he developed a staff of executives that, through the use ofaccounting loopholes, special purpose entities, and poor financial reporting, were able to hide billions indebt from failed deals and projects. Chief Financial Officer Andrew Fastow and other executives wereable to mislead Enron's board of directors and audit committee of high-risk accounting issues as well aspressure Andersen to ignore the issues.

Enron's stock price, which hit a high of US$90 per share in mid-2000, caused shareholders to lose nearly$11 billion when it plummeted to less than $1 by the end of November 2001. The U.S. Securities andExchange Commission (SEC) began an investigation, and Dynegy offered to purchase the company at afire sale price. When the deal fell through, Enron filed for bankruptcy with assets of $63.4 billion, it was the largest corporatebankruptcy in U.S. history until WorldCom's 2002 bankruptcy.Many executives at Enron were indicted for a variety of charges and were later sentenced to prison.Enron's auditor, Arthur Andersen, was found guilty in a United States District Court, but by the time theruling was overturned at the U.S. Supreme Court, the firm had lost the majority of its customers and hadshut down (see Arthur Andersen LLP v. United States). Employees and shareholders received limitedreturns in lawsuits, despite losing billions in pensions and stock prices.

During the latter half of the twentieth century, as more professionalaccountants were recruited into the commercial sector from the professionalauditing and accounting firms that had trained them, auditing firms cameunder dramatically increasing competitive pressure to reduce or discounttheir audit fees, or lose the work to other competing audit firms. As the publishedproduct of the audit (the audit opinion) was limited by statute to theissuance of a standard text, the audit came to be seen as an undifferentiatedproduct where the only concrete means for the audit firm to distinguish itsservice offering was either to reduce its fee below that of its competitors or tooffer services additional to the audit. The audit firms' rational economicreaction to dealing with increasing price competition was to develop, offerand deliver higher-margin non-audit services on the back of existing auditrelationships.

In this regard, Andersen was most successful at Enron. WhenEnron's difficulties became well known, Andersen's success in cross-sellingits services to Enron caused its independence as auditor to be called intoquestion. It may be that Andersen would not have considered the risks itapparently perceived it was running in its auditing relationship with Enronto have been worthwhile without the incentives of the rewards generated bythe other, more profitable, service offerings it was providing. It may be thecase that, if Andersen had been precluded from providing non-audit servicesto Enron, the only remedy would have been either to increase substantiallythe audit fee, or to resign the audit mandateAs a consequence of the scandal, new regulations and legislation were enacted to expand the reliability of financial reporting for publiccompanies (Dembinski, Lager, Cornford and Bonvin, 2006).

One piece of legislation, the Sarbanes-Oxley Act, expanded repercussions for destroying,altering, or fabricating records in federal investigations or for attempting to defraud shareholders. The actalso increased the accountability of auditing firms to remain objective and independent of their clients. In response to the fall of Enron the Sarbanes-Oxley Act was implemented. It outlines the rules on auditor independence, for example, the control of audit quality, and the rotation of audit partners as well as the prohibition of conflict-of-interest situation. Furthermore, the act also requires auditors to report to the audit committee on those significant matters. The Public Company Accounting Oversight Board which oversees audit firms and their procedures and the enforcement of accounting standards is also established as a result of this act. The Sarbanes-Oxley extended the duties of auditor to audit the adequacy of internal controls over financial reporting and provide a report on it under Section 404 of the Act. This is in view of the fact that a number of commissions recognized the importance of internal control in preventing financial statement misstatement.

DEVELOPMENT OF AUDIT IN NIGERIA

AbdulGaniyy (2013) observed that prior to independence in 1960, audit practice in Nigeria followed the British style; the early accountants in thecountry were British trained. All the pre-independence Company Ordinances in Nigeria only placed statutorydemand on Companies to appoint auditors but did not provide for the qualification of auditors to relate to anyprofessional body of accountants. This was obviously due to lack of any professional accounting body duringthat period. Consequently, it was not all the auditors in the country at that time that was even British qualifiedprofessional accountants. However the proportion of those that were qualified by the British standard, beingchartered accountants (either of England and Wales or Scotland) was very popular. Akintola Williams & Co. (Now Akintola Williams Deloitte) is the oldest indigenous firm in Nigeria, established in 1952 by Mr. Akintola Williams, FCA, CFR, CBE, the doyen of the accountancy profession.

Through astute management the firm has grown in size and scope of services to become the largest professional services firm in Nigeria.The firm started operations in Nigeria as Akintola Williams & Co in 1952. Between April 1999 and May 2004, two mergers with existing accounting firms were consummated which resulted in its being the largest professional services firm in Nigeria with a staff of over 600. The firm adopted the business name "Akintola Williams Deloitte" on July 30, 2004.

Over the years, Deloitte has built up a strong representation in several major African cities and has successfully undertaken a variety of business advisory and consulting assignments for clients in Nigeria and elsewhere in Africa. With the potent combination of extensive local knowledge, countrywide representation and international expertise, we are able to offer our clients the best services and solutions to meet their needs. Akintola Williams Deloitte is a member firm of Deloitte Touche Tohmatsu Limited and also a part Deloitte Africa practice which has presence in 34 countries in Africa. Deloitte Africa is clustered in English, French and Portuguese speaking areas to better facilitate service delivery to our clients. The Nigerian member firm is part of the English speaking cluster spread across 15 countries in East, Central, Southern and West Africa.Immediately after independence, the idea of establishing a professional body of accountants for regulation ofaccounting and audit practices became an issue. The British trained accountants coordinated their effort togetherand formed The Association of Accountants in Nigeria (AAN) which was incorporated in 1960 (Ajayi, 1997).

In 1965, the Association's effort to obtain statutory recognition was achieved when the Institute of

CharteredAccountants (ICAN,1965) was established by an Act Parliament (No. 15) with 250 members. By May 2011, ithas 32,722 members both within and outside Nigeria. Until 1993, only the members of the Institute were entitledto practice as accountants and statutory auditors in the country.The Association of National Accountants (ANAN) was formed in 1979 and incorporated in September, 1983. ByDecember 2010, its membership had grown to 16,207 (ANAN, 2008). These two bodies ICAN and ANAN arenow charged with the regulation of audit practice in Nigeria.

CONCLUSION: AUDIT TOMORROW

The roles of auditors are intertwined with the evolution of the auditing theory itself, as auditing evolved based on circumstances the evolution directly influence the functions and the entire practice of auditors. This paper traced history of auditing to the history of accounting. The functions of auditors have somewhat changed over the years unlike its antecedent “accounting”. Firstly, they were given the duty to detect fraud and help ease the mind of the principal by ascertaining the agents have shown the true financial situation of the business. Much later in history, this duty changed since auditors are not guarantors and there is no way they can ascertain 100% that the report prepared and presented by the agents are free from fraud, therefore, the auditors were expected to give reasonable skill and care in giving their opinion on whether the financial statements faithfully represent the financial situation of the business. The roles of auditors were seen to be changing due to changes in the world at large as such this paper evaluated the effect of fraud cases on the evolving auditing roles.

Subsequently, auditing tomorrow will be defined by more sophisticated software with the same functions as the CAATs and many more functions to eliminate completely the use of paper tray and focus more on systems audit. The Byrnes et al. (2012) white paper emphasized a main deficiency in the current CAATs. It was discussed that they do not work with real-time or close to real-time data streams and, thus, are not able to address questionable events such as potential fraud or irregularities in an optimized fashion. As observed by Cangemi (2010), given the recent advances in business technologies, the continuing emphasis on the backward looking audit is simply an outdated philosophy. Instead, he believes that real-time solutions are needed. As such, firms that successfully experiment with the CAATS should give eventual consideration to more advanced programs which contain functionalities resembling the audit of the future and provide a higher level of assurance.In general, the programs in this category contain the capabilities to continuously capture exceptions and outliers in data sets from disparate systems, provide information and alerting mechanisms to relevant personnel in an ongoing manner, and essentially confront issues such as fraud, errors, and misuse of resources in real-time. Furthermore, these programs may assist in optimizing the audit function by analyzing all financial transactions as they occur.

The audit of tomorrow will be more concerned with the uniqueness of an organization’s data set in selecting the auditing procedures to use as more manual data an entity maintains, the less it might initially benefit from audit automation. However, the extent to which data, controls, and processes are automated must be considered and discussed with the client as auditors, for example a company that is overburdened by manual audit processes will need to confront this issue at some point if the objective is to yield optimal benefits from the future audit.

An enterprise that moves toward greater automation relative to data, processes, controls, and monitoring tools begins to naturally structure itself for the coming of the future audit. Given the recent advent of the real-time economy, this positioning is critical. This is in line with the Continuous Audit Monograph (CICA/AICPA 1999) notes that the development of the digital economy has facilitated a demand from decision makers, such as potential investors and creditors, for more timely notification on a wide array of information topics extending well beyond the traditional financial statements. Therefore, if these decision makers require a more continuous information stream on which to formulate decisions, they will also demand independent assurances about the reliability of that information. Consequently, the need for a 24/7 auditing protocol becomes apparent if firms intend to compete for scarce resources and ultimately succeed in the current and evolving real-time global economy.

With this in mind, one could argue that the traditional manual and retrospective audit is becoming an untenable position. Also, it could be argued that the use of rudimentary CAATS will eventually be questioned in terms of audit utility. Fortunately, the idea of the future audit is not a recent phenomenon and there are a variety of methodologies that have been proposed to reach this plateau, such as: Embedded Audit Modules (EAM), Monitoring and Control Layer (MCL), Audit Data Warehouse (ADW), and Audit Applications Approach.Conclusively, the past indeed influenced the present and subsequently the future will entail more sophisticated software therefore auditors should strive towards understanding their roles as these have been the main bane in audit history.

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