Lavastorm

TRANSFORMING THE AUDIT PROCESS WITH NEXT GENERATION

PwC uses Lavastorm to dig deeper, broader, and smarter

pwc

Blending Data Discovery and Audit Analytics:

How Lavastorm transforms the auditing process:

Data

> Ability to process a large volume and variety of data—with no requirement for or restriction of an over-arching schema

Analytics

> Agility to offer self-service discovery and deliver results up to 90% faster than traditional tools

> Visualization to allow the transparency and trust required for data forensics

> Capability to reproduce complex business logic through the visual creation of business rules—provides greater control and up to 40% greater accuracy in audits

Automation

> Automated and continuous re-use of controls, increased efficiency, accelerated audits, and reduced costs

"The use of Lavastorm by our auditors has given us significant advantages. Specifically, Lavastorm increases our audit coverage for clients through analysis of the entire data set, greatly reduces time and cost of audit fieldwork through more focused planning, increases the reliability of audit results and improves audit quality. It has become a key tool for our auditing practice and gives us a strong competitive advantage within the auditing and consulting market."

Sergey Kudryashov,
Risk Assurance Director, PwC Russia's
Audit Team

CUSTOMER PROFILE

PwC (PricewaterhouseCoopers) is a global network of firms in 158 countries with close to 169,000 people. PwC firms audit many of the world's best-known companies. Their audit approach is at the leading edge of best practices and is tailored to suit the size and nature of their clients' organization, drawing on extensive industry knowledge. Additionally, PwC is a leader in the development of non-financial performance analysis, helping clients respond to the need for greater transparency, improved corporate governance, and more agile business models.

SITUATION

Large corporations today run complex integrated IT systems that manage virtually every part of their business and generate ever-growing volumes of data. With the new business reality of Big Data, PwC's auditors live at the very leading edge of technology to ensure they can conduct client audits in an effective and efficient way.

The Risk Assurance team at PwC Russia provides Computer Aided Audit Tests to support the core financial audit team. In addition to using traditional tools like spreadsheets, databases and ACL™, PwC Russia has enhanced its ability to solve complex audit challenges by utilizing a new generation of analytic tools. To keep pace with the increasing complexity of their clients' businesses, PwC Russia's audit team has turned to Lavastorm for new, innovative data and process analysis capabilities that can be tailored to meet almost any audit objective.

An audit of a company's financial statements, which are generated by thousands – if not millions – of complex transactions that are enabled by multiple IT systems. Years ago, low transaction volumes and less complex IT systems allowed simple methods to be used to perform audits. However, in recent years, the exponential increase of transaction and data volumes has outstripped the ability of traditional audit tools to provide the necessary insight.

In Russia, PwC performs several hundred audits per year for banks, financial institutions, retailers, telecoms operators, transportation and logistics providers, and other companies. They vary in size and complexity, with data analysis requirements spanning key business processes, such as purchasing and receiving of goods, payments, invoicing and invoice processing, master data management and pricing.

PwC Russia needed a tool that could meet these new requirements and enable them to provide an increasingly differentiated audit service, which they found in Lavastorm's discovery-based audit analytic software.

Sergey Kudryashov, the Risk Assurance Director at PwC Russia observed, "PwC is continuously performing audits for our clients in accordance with internationally and nationally recognized standards and most of these clients have very complex IT systems. Every year, data analytics technologies are increasingly used to improve both efficiency and effectiveness of our audits and that's why we turned to Lavastorm."

SOLUTION

PwC Russia relies on Lavastorm's discovery-based audit capabilities to provide comprehensive insights in situations where high volumes of transactions render sample-based audits ineffective. Kudryashov explained, "Risk is usually equated to unreliable IT systems, so we use Lavastorm where the level of risk is perceived to be high in order to quickly assess the integrity of virtually any business process."

Lavastorm's discovery-based audit analytics capabilities enable PwC Russia to meet the demands of their audit clients through next generation, business process analytics:

> Lavastorm provides the auditors with agile data discovery capabilities that enable quick, visual configuration of complex business process audits. The software enables auditors to easily aggregate data from a wide variety of sources and gives them the ability to view and interact with the data at each step in the audit process, letting the data itself guide the construction of the analytic process, audit, or business process control.

> Through the intuitive configuration of audit controls as library modules, Lavastorm delivers the capability to immediately replicate, share and reuse business rules and analytics, enabling the auditors to avoid duplicating efforts and focus on adding value for their audit customers.

Lavastorm's powerful Audit Analytics User Interface

Today, PwC Russia's audit team has a group of consultants trained to use Lavastorm and ready to provide extensive data analysis services to PwC auditors across common audit tests:

1. Complex Data Processing & Audit Test Automation

The audit team use Lavastorm to automate their analytical procedures there by shortening audit cycles, lowering their costs, enabling them to audit more deeply, and providing early identification of potential problems.

2. Data Reconciliation

Assuring the integrity of data spanning different databases and systems is essential for auditing purposes. PwC Russia's audit team relies on Lavastorm to bring together and model transactions that span multiple IT systems to ensure that the actual results conform to dictated policies and procedures.

3. Report Verification

Audits need to confirm the accuracy and integrity of the many reports generated by the IT systems. For example, if a particular system prepares a report on aging inventory to identify slow or obsolete items, the PwC auditors need to verify financial accuracy of the statements in the report. Lavastorm is able to reproduce a selection of reports and test the accuracy of the figures.
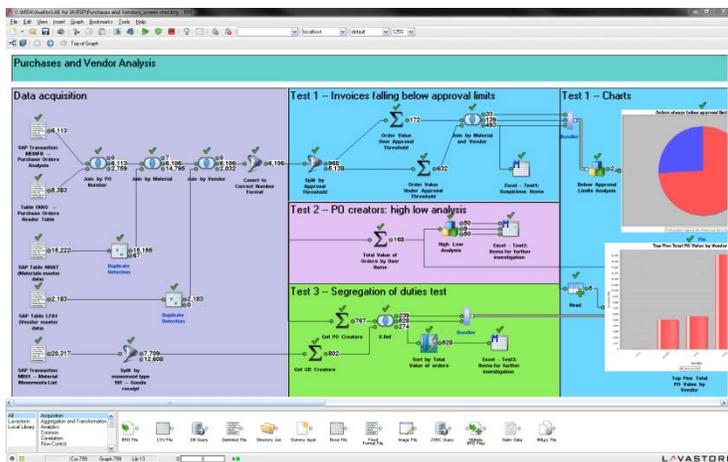
4. Recalculation

PwC Russia uses Lavastorm to model the complex computations carried out by the IT systems, reproducing and confirming the accuracy of the algorithms and calculations used in the systems– a task made much easier by the software's ability to quickly and easily replicate complex business logic.

5. Fraud Indication

Lavastorm assists in fraud analysis by identifying suspicious accounting records, errors or abnormal operations. For example, detecting records that meet indicators such as manual entry of data, transactions performed outside normal working hours or transaction amounts that are unusually large or different.

Sergey Kudryashov, Risk Assurance Director in PwC Russia's Audit team, who has used the Lavastorm for over three years across a wide variety of audit projects:

"There are many great features in the Lavastorm software, but the four key ones have to be: the visual interface and graphs that provide an understanding of the data and transactions in a single view interface, its flexibility to create audits quickly, the ability of reuse to perform recurring audits with new data, and the ease of modeling systems and rules to audit report recalculations."