# The modern audit:
# How data analytics tools
# improve efficiency and quality

Learn the four types of analytics and
how they make financial data actionable

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## Key takeaways

Analytics tools can improve audit efficiency and quality.

There are 4 categories of analytics: Descriptive, diagnostic, predictive, and prescriptive.

These analytics help your financial data tell your business story.

**# | AUDIT**

In today's complex business environment, many companies are seeking efficiency through automation. Gone are the days of file folders and hand-written ledgers; business data is now vast and digital, reducing the effectiveness of manual, sample-based audit processes.

Luckily, the audit process is also modernizing through digital tools like analytics and Artificial Intelligence. Data analytics tools are transforming the audit landscape for the better, and businesses are benefiting from the enhanced efficiency and accuracy these tools provide.

## How analytics tools improve audit efficiency

One of the most basic benefits of automation is that it can eliminate tedious tasks, freeing up human hours to spend on other critical business functions. This is especially true in the audit process.

Data analytics tools can take the tedious first pass at reading through business files, such as financial statements, and flag critical information that the auditor is looking for. What once took hours or days for an auditor to do manually can now be completed in seconds.

Once the tool highlights pertinent information, then it's time for human eyes. The auditor will take a second look, quickly verifying the accuracy of the data and moving forward without needing to sift through irrelevant pages.

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> "The solution brings significant efficiency and quality improvements to the audit file. The time spent by preparers goes from days or even weeks down to hours."
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> **Scott Wilson**, National Audit Innovation Leader, RSM US LLP
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## How analytics tools improve audit quality

Speed isn't the only thing that analytics tools bring to an audit. While some business leaders can be hesitant to implement these efficiency tools for fear they might be sacrificing accuracy, the opposite is true: Analytics tools can also improve accuracy by eliminating human error during compilation.

At RSM, all of the digital tools we use are tested and vetted to ensure they provide accurate outputs and align with our audit methodology. With better insights into the quality of your data, you can improve risk management and maximize the benefit of your audit.

## The four types of analytics

Analytics can be broken down into four distinct categories:
- Descriptive
- Diagnostic
- Predictive
- Prescriptive

**Descriptive analytics** answer "what happened" questions by using historical data from multiple sources to identify trends and patterns. For example, descriptive analytics of financial statements could answer the question, "How much did we sell as a company?"

**Diagnostic analytics** answer the "why" question, using data to uncover the reasons behind past performance. With diagnostic analytics, you can shed light on issues such as why company sales may have decreased in the previous quarter.

**Predictive analytics** answer "what will happen" using statistical modeling and forecasting based on patterns from historical data. This can help you predict future issues, such as credit risk or potential areas in which fraud could be exploited.

Finally, **prescriptive analytics** answer the questions of "what should be done" to offer specific solutions for achieving desired outcomes. For example, "What pricing adjustments should we consider based on anticipated demand?"

These four types of analytics work together to paint a holistic picture of your business. With the right tools and the right team, you can experience efficient, high-quality audits and take your financial data from overwhelming to actionable.

Want to dive deeper? Here are a few more benefits to modernizing your audit process.