

CHAT GPT and **Audit Use Cases**



ChatGPT WILL UPEND OUR
THINGS, **HOW** IT WILL ALTER
OUR WORKPLACE, AND **HOW**
WE SHOULD USE IT AS A GREAT
COLLEAGUE

1. Audit Program

Specific targeted query with key word – like Financial audit, internal audit....

Objective and basis would enable most suitable output – Audit standard or regulation..

Responds with a draft Audit Program identifying areas and aspects of focus



Here's an example of an audit program for tangible assets of a manufacturing company:



1. Planning Phase

- Gain an understanding of the client's business operations and the nature of its tangible assets
- Identify and assess the risks associated with tangible assets, such as the risk of misstatement, loss or damage
- Determine the significant locations and classes of tangible assets to be audited
- Develop an audit plan that includes the nature, timing, and extent of audit procedures

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3. Completion Phase

- Evaluate the results of audit testing and determine whether any adjustments are necessary
- Formulate an overall opinion on the existence, valuation, and completeness of tangible assets
- Prepare a management letter detailing any internal control weaknesses or other concerns
- Issue an audit report expressing an opinion on the tangible assets in accordance with auditing standards

This audit program provides a general framework for auditing tangible assets of a manufacturing company. However, the specific procedures should be tailored to the company's specific circumstances, and the audit team may need to modify the program based on their risk assessment and other considerations.

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Audit checklist to check the tangible asset register



Sure, here's an example of an audit checklist to check the tangible asset register:



1. Obtain and review the tangible asset register, including the opening and closing balances, additions, disposals, and depreciation calculations.
2. Test for completeness and accuracy of the tangible asset register by performing the following procedures:
 - Perform a sample count of assets to verify the existence and location of assets.
 - Trace additions to the register to purchase invoices and other supporting documents.
 - Trace disposals to disposal documentation, including sales agreements, invoices, and evidence of removal from the premises.
 - Evaluate the completeness of the register by comparing it to a physical count or other documentation, such as insurance policies or leasing agreements.
 - Test for accuracy of the register by verifying mathematical calculations, including depreciation and amortization.
3. Confirm and evaluate the valuation of tangible assets by performing the following procedures:

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2. Checklist for an Audit Scope

Identify a specific item of audit scope and criteria – GPT would respond with a broad checklist for audit

Highlights aspects to be tested – and method of testing

Test case of a Checklist generated by ChatGPT for a audit of a Fixed Asset Register

Points to Note:

- Individual judgement cannot be replaced
- Accuracy of response is directly related to the detailing of the Query
- Content – not in a word / excel format

5. Evaluate the adequacy of the maintenance and repair policies and procedures by performing the following procedures:
 - Obtain an understanding of the company's policies and procedures for maintaining and repairing tangible assets.
 - Test compliance with the maintenance and repair policies and procedures by reviewing maintenance logs, work orders, and other documentation.
6. Evaluate the adequacy of the insurance coverage for tangible assets by performing the following procedures:
 - Obtain an understanding of the company's insurance policies related to tangible assets.
 - Test for the valuation of insurance claims by comparing them to insurance policies and other documentation.

This audit checklist provides a general framework for checking the tangible asset register. However, the specific procedures should be tailored to the company's specific circumstances and the auditor's professional judgment.

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3. Specific Query on AS relating to an Audit Item

ChatGPT can assist in aspects of Subject Matters as well

More details in Query – like the Accounting Standard Number, Regulation name (Companies act 2013, CARO, etc.) enhances the output and completeness

Can be used as a base level document – responses to be considered with a fair amount of scepticism

Sample of response provided by ChatGPT for a Checklist to comply with requirements under AS 10 - PPE

 Checklist for compliance under Accounting standard AS 10 - Property Plant and Equipment

 Here's an example checklist for compliance under Accounting standard AS 10 - Property Plant and Equipment:  

1. Identify all assets that fall under the definition of Property, Plant, and Equipment (PPE).
2. Verify that the accounting policies for PPE are in accordance with AS 10, including the following:
 - The recognition criteria for PPE, including the definition of cost and the treatment of initial and subsequent costs.
 - The measurement criteria for PPE, including the cost model and the revaluation model.
 - The depreciation method used and the estimated useful lives of the assets.
3. Ensure that all expenditures related to PPE are appropriately classified, recorded, and disclosed in the financial statements.
4. Verify the existence and ownership of all PPE by performing the following procedures:
 - Inspect the physical existence of a sample of PPE.
 - Confirm the ownership of PPE by reviewing supporting documentation, such as title deeds, lease agreements, etc.

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- Evaluate the reasonableness of the estimated useful lives of the assets.
- Verify the accuracy of the calculation of depreciation by comparing it to supporting documentation.
- Confirm that the depreciation method used is in accordance with AS 10.

7. Test the adequacy of the disclosure requirements for PPE by reviewing the financial statements and notes to the financial statements. The disclosure requirements under AS 10 include the following:
 - The accounting policies for PPE.
 - The cost of PPE.
 - The accumulated depreciation and impairment losses.
 - The net carrying amount of PPE.
 - The movements in PPE during the reporting period.

By performing these procedures, the auditor can ensure that the company is complying with AS 10 and that the financial statements provide a true and fair view of the company's financial position and performance related to its PPE.

4. Generating code to run reports directly from DB – ERP for an Audit

All you need is the ERP name – version - Module – and clear outcome (report requirement)

ChatGPT generates a “code” that can be copied and executed as a command

It also provides brief description of what the code would execute



Assists in independently generating reports eliminating reliability of client provided info or front end reports.


Word of Caution – a basis understanding of ERP , Module, Table structure, etc. would be required



Code for generating all asset purchases and date of receipt in Oracle 12i



To generate a report of all asset purchases and date of receipt in Oracle 12i, you can use the following SQL query:  

```
sql  Copy code  
  
SELECT AP.ASSET_ID, AP.ASSET_NUMBER, AP.ASSET_DESCRIPTION, AP.TAG_NUMBER, AP.COST,  
FROM FA_ADDITIONS_B AP  
WHERE AP.DATE_PLACED_IN_SERVICE IS NOT NULL
```

This query retrieves data from the FA_ADDITIONS_B table, which stores information about asset additions, including the asset ID, asset number, asset description, tag number, cost, and date placed in service. The WHERE clause filters out any assets that have not yet been placed in service, ensuring that the report only includes assets that have been purchased and received.

To execute this query in Oracle 12i,  Regenerate response ps:

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To execute this query in Oracle 12i, you can follow these steps:

1. Log in to the Oracle 12i system with your credentials.
2. Open SQL*Plus or another SQL editor.
3. Connect to the Oracle Assets database by entering the following command:

```
sql  Copy code  
  
CONNECT username/password@database
```

Replace "username" and "password" with your credentials and "database" with the name of the Oracle Assets database.

4. Copy and paste the SQL query into the SQL editor.
5. Execute the query by pressing the "Execute" button or entering the following command:

```
sql  Copy code  
  
SELECT AP.ASSET_ID, AP.ASSET_NUMBER, AP.ASSET_DESCRIPTION, AP.TAG_NUMBER, AP.COST,  
FROM FA_ADDITIONS_B AP  
WHERE AP.DATE_PLACED_IN_SERVICE
```

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Can you generate a Python template for the same



Yes, here's a Python template for analyzing asset additions and depreciation:



python

Copy code

```
# Import the required libraries
import pandas as pd
import numpy as np
import matplotlib.pyplot as plt

# Read the data into a pandas dataframe
df = pd.read_csv('asset_data.csv')

# Data cleaning
df.drop_duplicates(inplace=True)
df.dropna(inplace=True)

# Data exploration
print(df.describe())

# Asset additions analysis
asset_additions = df.groupby('asset').sum()
print(asset_additions)
```

Regenerate response

5. Assists in Data Analytics – Codes for Tools

Will replace need of a language expert / coder for base level data analysis – Audit executives / Managers can directly code and execute analysis

Understanding of the data set + Expected Outcome from analysis + Analytical tool details are paramount

ChatGPT can generate a code –can be copied and executed in the analytical tool

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Test code to analyse FA Addition & Depreciation – using Python – based on data downloaded from ERP


```
# Depreciation analysis
depreciation = df.groupby('Asset_Class')['Depreciation_Expense'].sum()
accumulated_depreciation = df.groupby('Asset_Class')['Accumulated_Depreciation'].sum()

# Data visualization
plt.plot(asset_additions.index, asset_additions.values)
plt.title('Asset Additions')
plt.xlabel('Asset Class')
plt.ylabel('Additions')
plt.show()

plt.plot(depreciation.index, depreciation.values, label='Depreciation Expense')
plt.plot(accumulated_depreciation.index, accumulated_depreciation.values, label='Accumulated Depreciation')
plt.title('Depreciation')
plt.xlabel('Asset Class')
plt.ylabel('Amount')
plt.legend()
plt.show()

# Report generation
report = pd.DataFrame({
    'Asset Class': asset_additions.index,
    'Total Additions': asset_additions.values,
    'Total Depreciation': depreciation.values,
    'Total Accumulated Depreciation': accumulated_depreciation.values
})
```

Regenerate response

Here's a brief explanation of each section of the code:

1. Import the required libraries: We import the necessary libraries for data analysis, such as pandas, numpy, and matplotlib.
2. Read the data: We read the asset addition and depreciation data into a pandas DataFrame from a CSV file.
3. Data cleaning: We clean the data by removing any duplicate records or records with missing data.
4. Data exploration: We explore the data to get an understanding of the data distribution, trends, and patterns. We use descriptive statistics to describe the data and print the results.
5. Asset additions analysis: We calculate the total asset additions for each period or asset class. We group the data by asset class using pandas groupby function.
6. Depreciation analysis: We calculate the depreciation expense and accumulated depreciation for each period or asset class. We group the data by asset class using pandas groupby function.
7. Data visualization: We visualize the results using line charts.
8. Report generation: We generate a report summarizing the key findings and insights from the data analysis. We create a pandas DataFrame with columns for asset class, total additions, total depreciation, and total accumulated depreciation.

Regenerate response



Can you generate an excel template to analyse tangible assets report generated from Oracle 12i



Yes, here's a simple Excel template to analyze tangible assets report generated from Oracle 12i:

1. Open a new Excel worksheet and create the following columns:

- Asset ID
- Asset Description
- Asset Class
- Acquisition Date
- Cost
- Accumulated Depreciation
- Net Book Value

2. Copy and paste the data from the tangible assets report generated from Oracle 12i into the Excel worksheet.

3. Use Excel functions to calculate the accumulated depreciation and net book value. You can use the following formulas:

- Accumulated Depreciation: =SUMIF(A2:A100, A2, F2:F100)

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3. Use Excel functions to calculate the accumulated depreciation and net book value. You can use the following formulas:

- Accumulated Depreciation: =SUMIF(A2:A100, A2, F2:F100)

This formula calculates the sum of the accumulated depreciation for each asset ID using the SUMIF function.

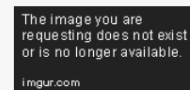
- Net Book Value: =E2-G2

This formula calculates the net book value for each asset by subtracting the accumulated depreciation from the cost.

4. Use Excel pivot tables and charts to analyze the data. You can create pivot tables to summarize the data by asset class, acquisition date, or any other relevant category.

5. Create charts to visualize the data. You can create bar charts or line charts to compare the cost, accumulated depreciation, and net book value for each asset class.

Here's a screenshot of the Excel template:



You can customize this template to suit your specific needs by adding additional columns or modifying the calculations as needed.

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6. Audit data analysis in Excel – Can ChatGPT be of Help?

Can assist in getting the analysis done

Can be a tutor

Specific table fields in excel & requirement statement if defined – it generates as step by step approach in Excel – including the formulas to apply

Also provides a indicative snapshot of the outcome

7. Risk Assessment / IFC Tests / Fraud Controls - using ChatGPT



Generate a risk control matrix for Tangible Assets



Sure, here is a sample risk control matrix for tangible assets:



Risk	Control	Responsibility
Inaccurate asset records	Regular physical asset counts and reconciliations with asset register	Finance department
Theft or loss of assets	Implement security measures such as CCTV, access controls, and security patrols	Security department
Misappropriation of assets	Segregation of duties, regular independent audits of asset register, and review of transactions by a senior manager	Finance department
Inadequate maintenance of assets	Implement preventative maintenance schedule and regular inspections	Operations department
Inaccurate depreciation calculations	Regular review of depreciation rates and useful lives by a qualified accountant	Finance department
Failure to dispose of obsolete assets	Implement a regular review process for identifying obsolete assets and dispose of them in a timely manner	Operations department
Inadequate insurance	Regular review and update	Risk management

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Generates a basis Risk Assessment matrix , identifies key financial controls that will have an impact on IFC and Fraud controls



IFC controls check for Tangible Assets



IFC (Internal Financial Control) controls for Tangible Assets may include:



1. Asset Acquisition:
 - Proper authorization of asset purchases
 - Verification of asset receipt and condition
 - Asset tagging and entry in asset register
 - Documentation and record keeping of purchase and receipt of assets
2. Asset Maintenance and Tracking:
 - Regular maintenance of assets to ensure longevity
 - Periodic physical asset count and reconciliation with asset register
 - Tracking of asset transfers and disposals
 - Periodic review of asset useful lives and depreciation rates
3. Asset Security and Control:
 - Physical security measures such as access controls, CCTV, and security patrols
 - Restricted access to assets based on job responsibilities
 - Procedures for reporting and [Regenerate response](#), or damaged assets

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Here are some examples of fraud controls to check in tangible assets:



1. Asset Theft:
 - Implementation of physical security measures such as locks, access controls, and CCTV surveillance.
 - Periodic verification of the asset register and physical asset count to detect any discrepancies.
 - Background checks and verification of the integrity of employees who handle assets.
 - Regular audits of asset management processes and procedures.
2. Asset Misappropriation:
 - Separation of duties in asset management to prevent any one person from controlling all aspects of the asset lifecycle.
 - Regular monitoring of transactions related to assets, including acquisition, maintenance, and disposal, to detect any irregularities.
 - Segregation of financial duties related to assets to prevent unauthorized use or disposal.
 - Implementation of an effective whistle-blower mechanism to encourage employees to report any fraudulent activity.
3. Asset Overstatement:
 - Regular physical verification [Regenerate response](#) overstatement in the asset



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8. Draft Reports?

One of the best usability of ChatGPT is drafting

Can generate reports with place holders – copy paste and update template

Given the Key components – like Observations / Qualifications – the report is factored for those and drafted

Specifying requirement to be in conformity to a regulation ensures close to perfect report drafts

Sample CARO Report , Sample Internal Reports generated by ChatGPT



Can you generate an Audit Report under CARO 2020 with qualification on (a) Fixed assets, (b) End use of borrowed funds and (c) compliance with regulatory payments, due and filings



Sure, I can generate an Audit Report under CARO 2020 with qualifications on fixed assets, end use of borrowed funds, and compliance with regulatory payments, due, and filings.



Here's a sample report:

AUDIT REPORT UNDER THE COMPANIES (AUDITOR'S REPORT) ORDER, 2020

To the Members of XYZ Limited,

1. We have audited the accompanying financial statements of XYZ Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2022, the Statement of Profit and Loss, the Cash Flow Statement for the year ended on that date, and a summary of significant accounting policies and other explanatory information.
2. Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these financial statements in accordance with the applicable accounting standards, and for ensuring that the financial statements give a true and fair view of the state of affairs of the Company as at March 31, 2022, and of its profit and cash flows for the year ended on that date. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that are free from

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4. Qualifications

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) Fixed Assets: Based on our audit procedures, we were not able to obtain sufficient appropriate audit evidence regarding the existence of certain fixed assets with a carrying amount of Rs. [insert amount] as at March 31, 2022. Consequently, we were not able to determine whether any adjustments to these assets' carrying amount were necessary. The qualification of our opinion on the financial statements in this respect is modified accordingly.

(b) End use of Borrowed Funds: The Company has availed of a term loan of Rs. [insert amount] from [insert name of lender] for the purpose of [insert purpose]. Based on our audit procedures, we were not able to obtain sufficient appropriate audit evidence to confirm whether the loan proceeds were utilized for the intended purpose. The qualification of our opinion on the financial statements in this respect is modified accordingly.

(c) Compliance with Regulatory Payments, Due and Filings: The Company has not made certain regulatory payments, due, and filings as required under the applicable laws and regulations, which could have a material effect on the financial statements' amounts and

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Internal Audit Report on Tangible Assets



Date: [Insert Date]

To: [Insert the name of the responsible personnel]

From: [Insert your name]

Subject: Audit Findings on Tangible Assets

Introduction:

We have conducted an audit on the tangible assets of the company as per the audit plan. The scope of the audit included the examination of the capitalization date, useful life calculation, and the utilization of the assets. The audit was conducted from [Insert Date] to [Insert Date].

1. Wrong Date of Capitalization:

We have observed that some assets were capitalized with the wrong date. The capitalization date is the date when the asset is ready to use, and it should be the date when the asset is available for use in the business. The wrong capitalization date results in inaccurate depreciation calculation, which affects the financial statements.

2. Incorrect Useful Life Calculated:

We have identified that the useful life of some assets was calculated incorrectly. The useful life of an asset is the period over which the asset is expected to be useful to the business. The useful life affects the depreciation calculation, and if it is incorrectly calculated, it can result in the over or under-valuation of the assets.

3. Assets Not in Use:

We have observed that some assets are not in use, and they are sitting idle. The idle assets do not generate any revenue, and they continue to incur maintenance costs. The unused

Recommendations.

We recommend the following actions to address the observations identified during our audit:

1. Correct the Capitalization Date:

We recommend that the capitalization date of the assets be reviewed and corrected wherever required. The correct capitalization date will ensure that the assets' depreciation is calculated accurately and that the financial statements reflect the correct value of the assets.

2. Recalculate the Useful Life:

We recommend that the useful life of the assets be recalculated based on the current condition and expected usage. The correct calculation of the useful life will ensure that the assets are not over or under-valued and that the depreciation is calculated accurately.

3. Dispose of Unused Assets:

We recommend that the unused assets be sold or disposed of to avoid the additional cost of maintenance. The disposal will release the tied-up capital, which can be invested in the business or other assets generating revenue.

Conclusion:

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9. More writings...

Give it key points and it can throw up an impressive email

Tell it what to do, including tone, and it can draft a reply to an email

Tell it to proof read your writing, and it will do like a pro

Can't read a long piece? Ask it to summarize for you. Does in a jiffy

Can mimic your writing style

10. Finally ...

It boils down to how you PROMPT

Make the prompt specific, give it more details, as you would brief an Intern

Give it that law to see, the standard to look for.

Remember, it can bluff, and you should be on your guard.