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The Technology-Driven Future of the Audit

Mark Baer, Daniel Balla, and Jason Whitmer

Now is the time for companies of all sizes to collaborate with their auditors and discuss how the audit of the future might affect them.

In the not-so-distant future, the way companies experience and participate in an audit is likely to change dramatically. Access to big data and the ability to analyze patterns and trends within that data will help auditors conduct a more targeted audit and support better decision-making. At the same time, the way companies participate in and experience an audit will evolve significantly as well. Following are a few developments that are likely to define the future of the audit.

Testing through predictive analytics

The audit of tomorrow not only will harness data from a company's internal system, but it also is likely to integrate information from other sources external to the company. Analytics might be used to look at combinations of data to predict what should happen. This capability would help an auditor focus testing on areas of financial reporting or within a transaction set in which a company's results differ significantly from predictive analysis. In addition, understanding how different sets of data relate to one another might point to dynamics that are likely to occur, such as in the industry at large, communities in which companies operate, within the labor force, or in the supply chain.

New participants in the process

As technology changes the audit process, auditors are likely to work with departments and teams with which they previously have interacted very little. For example, auditors might see data trends related to changes in a company's operating environment, business process, or operating activity that might be best explained by individuals working outside of the finance department, such as in the sales or procurement groups. In addition, a company's IT department likely might have a larger, more integral role in the audit process, providing necessary access to large amounts of data.

Plan for the audit evolution

Following are several actions that accounting and finance professionals should consider taking to prepare for a more technology-driven audit.

Establish a complete picture of existing data. Auditors likely will ask and push harder for much more information than they do today. Getting a full understanding of all of the data that exists company-wide can support the audit process moving forward and can help accounting and finance teams to operate more efficiently right now.

Expect the unexpected. Auditors likely will begin asking for data that they historically did not request. For example, some companies might provide auditors with manual schedules of journal entries. In the future, auditors might ask for both the manual schedules and an electronic file of all entries or for full data sets instead of truncated schedules. Companies might begin considering how they will provide auditors with more of the data they have available.

Stay up-to-date on expectations for the future. At first, an audit that applies new data analytics might challenge accounting and finance professionals' historical approach and way of thinking. Remaining current on new developments will help prepare professionals for an audit driven by evolving technology and methodologies.

Engage with your auditors. As auditors begin requesting access to large amounts of data, it is important that expectations be clear from the outset so companies can prepare and share the requested information. Engaging with auditors in a dialogue about evolving technology and methodologies and how it may impact audits will help companies stay abreast of changes. Before the audit of the future materializes, accounting and finance professionals have the opportunity to consider how evolving technology and methodologies will impact them. Now is the time for companies of all sizes – from large, resource-heavy corporations to smaller companies with more limited resources – to collaborate with their auditors and discuss how the audit of the future might affect them.

Mark Baer is a Managing Partner and Dan Balla and Jason Whitmer are Managing Directors at Crowe Horwath LLP.

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