Accounting Today

What doesn't kill auditors makes them stronger

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It's no secret that technology is poised to bring tremendous change to auditing; the question is, will those changes be positive or negative?

To assess the state of the field, *Accounting Today* convened a virtual roundtable of experts and practitioners to share their thoughts on where things stand — and where they're headed. Below, they balance the threats against the opportunities, and share what auditors need to do to make the most of the latter.

(*For more of their insights, see our special report, "[Ready for the revolution.](#)"*)

Do these technologies represent a threat to the auditing profession?

Mike Yates (Partner-in-charge, Auditing Competency Center, Crowe): Absolutely not. Sophisticated computer models are going to be used today and in the future. What we believe is sophisticated today will not look so sophisticated tomorrow. However, there will still be the audit questions related to, "Does the model work and how do we know it works?" Those are the same audit questions we answered in 1980 and in 2019. How do we know what management recorded is correct and did we audit for what could have gone wrong? The sophisticated models will likely not address all questions and thus there will be a need to handle matters that the model could not.

Also, in the development of such models, a diversified team will come together (including auditors) to help in the programming of such technology. The market is likely never going to stop asking the question: How do we know [if] this is correct? As long as that is a question, the audit profession is alive.

Cathy Rowe (Director of accounting and audit product management, Wolters Kluwer Tax and Accounting North America): We've all heard statistics similar to this:

"By 2020, AI will eliminate 1.8 million jobs, but it will also create 2.3 million new ones," so the big challenge to the auditing profession is to minimize the impact of the losses and seize the opportunity of the gains. The foundational knowledge of accounting and auditing will largely remain the same, but it will require new skills to deliver on three main pillars efficiencies, quality, and most importantly value. The audit profession must embrace this change to continue to remain relevant as the trusted advisor for stakeholders that rely on the audited financial statements to make key decisions.

Alan Anderson (President and founder, AccountabilityPlus): Yes and no. I believe that those firms that don't embrace technology will eventually go out of business. But the firms that do embrace and leverage technologies will thrive. Many of these technologies will look at all of the data faster without missing anything because technology doesn't get fatigued when looking at volumes of data. Leveraging technology will elevate the skills of the auditor and allow them to be better prepared for a continuous assurance world.

Susan Coffey (Executive vice president – public practice, AICPA): I actually see them as a huge opportunity! These technologies don't diminish but rather empower auditors. The profession is showing it's engaged in understanding and applying new innovations. And I think we see whole new areas of assurance that open up with the wider implementation of these technologies. Changes are coming, though, and CPAs must be prepared to adapt to them.

Karen Larsen (Partner, Professional Practice Group, Baker Tilly): Technology is an opportunity for our profession, not a threat. Our auditing profession is built on a foundation of trust and confidence. Technology will only enhance what we, as a profession and as auditors, can bring to the public and our clients. It is an opportunity for us to transform our profession, deliver more valuable insights to our clients, and engage our younger professionals with innovative and challenging work. Technology must still be audited, algorithms must be vetted and data inputs must have internal controls to ensure the data being used is accurate. Auditing doesn't disappear, but it will continue to evolve.

Peter Scavuzzo (Chief information & digital officer, Marcum): For organizations that are prepared, I am adamant that these technologies will have absolutely no negative impact. I believe the exact opposite. To anyone who believes that the best days of compliance services are behind us, I say that this technology, if applied properly, can and will be a boon. New technologies will drive compliance services by making them more efficient and more valuable to the clients who are being serviced. This will allow the industry to sustain and prolong compliance service for quite some time.

The real pot of gold, though, lies in two paths. First, the expansion of accounting services into a much greater consulting and advisory capacity will bring accounting firms

deeper into the trusted advisor role the industry has held for years. Firms will be able to significantly aid our clients in transformation and digital insight, and help them really expand and grow their businesses. Secondly, while these technologies are out there changing the world, they are introducing a risk well beyond the traditional risks of fraud and accounting indiscretion. The technologies will become woven into the core systems that executives will be using to make business decisions for the future. Executives will start making financially impactful decisions based on an AI confidence core. They will have account payable automated by RPA. They will have data analytics providing algorithmic business insights on how to make decisions about their numbers. Inevitably, people will find ways to tweak the AI engine with bias, to insert a command to direct a bot to alter its process or slightly modify an algorithm to produce different results. We will then see an entirely new level of auditing. Technology auditing, AI auditing, algorithmic auditing. And who better for the world to turn to for this than their trusted advisors, the accountant and auditor?

What do accountants need to do to make the most of these new audit technologies?

Coffey: At a minimum, CPAs should have a foundational understanding of these technologies. That's a starting point. We've developed thought leadership, learning tools and guidance on many of these topics to help with that goal. We're also developing the Dynamic Audit Solution to support the entire profession as it leverages these technologies for financial statement audits, and our OnPoint PCR tool, launched last year, can help firms that perform preparation, compilation and review services begin usage at a foundational level.

Rowe: Accountants must first embrace a mindset shift. They need to do things differently than before to both drive their own efficiencies but also better serve their clients. This shift requires the accountant to create a plan, with the intention of starting small. The first phase of this plan, to get the most out of the technologies, is to get access to client data — data is the prerequisite for using any of these advanced technologies to support a data-driven audit. Data can be obtained in multiple ways — reports can be requested from clients or a direct connection can be made to a client's accounting system to capture the required data. To help facilitate this data request in a secure and timely manner, the accountant should also consider how they can enhance client collaboration directly within their audit engagement. This will result in both the auditor and the client having an aligned expectation of what is needed for the audit, and when.

Yates: The key word is diversify. The audit team of the future is not a team that looks like me. It is a team of specialists working together to take information that was dissected by sophisticated computer models and determine if management has recorded and disclosed the information appropriately. Management will also embrace sophisticated computer models as part of their control environment. This means

management of companies need to be diversified as well and they are building models that the auditors will need to test / validate as part of audits. Remember, sophisticated models can be a huge asset in the financial reporting environment but if they are flawed, then controls and financial reporting may fail no differently than if we went back to manual controls.

Scavuzzo: First and foremost, all auditors — and for that matter, all professionals — need to have a much more progressive and open-minded view of their profession. The technology itself, while somewhat dense, is not the challenge. The issue is cultural and a calibration of the way individuals think. The perspective must shift from "it has been like this for years" to one that accepts change in a period of months. The rate of change in technology is far outpacing that of our ability to keep up. If you layer on humans' natural aversion to change, especially in an industry such as accounting which has traditionally been resistant to change, the ability to start using and applying this technology will be further hindered by the enormous cultural and technological debt an organization needs to overcome.

Accountants need to immediately embrace and promote a culture of change; they must incorporate data analytics into the fabric of their practices and how they view their everyday work. Accountants need to increase their knowledge about the current and evolving state of RPA, AI, ML, blockchain and data analytics in the industry. Most importantly, accountants and accounting firms need to immediately establish a plan to prepare their organizations, their staffs, their data, their software and their processes for the day AI and ML are commercialized and ready for consumption. When that day comes, the firm that is prepared will be able to move ahead quickly, while the firm that is not will stall out, and it will take years for them to recover.

Larsen: Although technology plays a critical role in the advancement of auditing, having talented auditors committed to discovering innovative opportunities for the benefit of our profession, clients and the public at large is equally important. As seasoned professionals, we know what has worked well in the past, but we must add individuals to our ranks who will help us to become more creative and expand our skill sets. Focusing on consultative and analytical skills will be very helpful to round out the technical abilities of new recruits. Our profession must enhance the talents of our teams and embrace new skills while we develop the proficiencies of our recruits. The cleansing, transforming and modeling of data will also be a key emphasis as our profession embraces technologies that focus on audit data analytics. Individual auditors need to commit to continuous learning – and expansion of their traditional skill set into these new technologies.

Anderson: Embrace technology at all levels and become technology sponges. Make time each week to read and become aware of what advances in technology are taking place and consider how those advances could or will impact the audit.