



THE FUTURE OF AUDIT IN FIVE PREDICTIONS

Technology is taking auditors into the 22nd century.

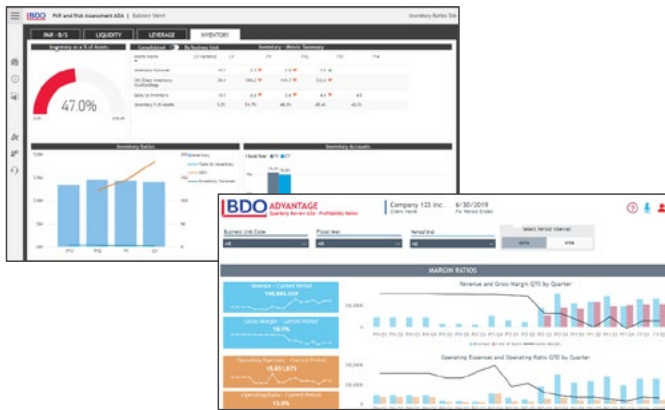
While auditors are beginning to explore the possibilities afforded by technology, including predictive analytics and the cloud, expectations are changing quickly. Soon, investors and regulators alike will expect auditors to be experts in technology and all the ways it can enhance the audit process. At the same time, clients will demand an audit experience that only a tech-enabled audit can offer. As technology continues to shake up the audit landscape, the assumptions the world has held about how auditing works will evolve. Gone are the days of manual, analytic processes. A new era is upon us — are auditors ready for what that means?

Here are five ways the audit is changing, and what that means for the auditor of the future:

1. DATA VISUALIZATION WILL GO FROM PERK TO PREREQUISITE.



Data visualizations will no longer be optional for audits. They enable auditors to easily spot important trends and outliers that require further attention without having to manually review data samples. From there, data visualizations have the power to translate auditor findings into the language of the C-suite, reducing the risk of breakdowns in communication. As a result, clients will have a leg up in addressing risks to their business, correcting failures in internal controls and identifying potential cases of fraud. Data visualizations are a convenient tool today, but they'll be indispensable tomorrow, and considered a hallmark of a functional client-auditor relationship.



These visuals from BDO ADVANTAGE, our proprietary analytical platform which provides data visualizations that can be used to communicate trends and identify outliers.

2. THE FORWARD-LOOKING AND NON-FINANCIAL ELEMENTS OF AUDITS WILL EXPAND.



Investors and regulators need to know more about the state of the business than just its financial history. Expectations around financial reporting are expanding — now, companies need to account for non-traditional risks to their business, like the impact of climate change or potential breaches in cybersecurity. Essentially, companies are being asked to predict the future, and while we're still a long way away from having crystal balls, predictive analytics is stepping in to fill the gaps. Predictive analytics allows auditors to catch a glimpse into probable outcomes for the company, enabling both the client and auditor to work together to address threats before they even happen. Over the next few years, investors and regulators will expect more predictive analytics in both the official audit opinion and in periodic business performance updates. To that end, auditors will need to be conversant in predictive analytics and find ways to quantify the impact of non-financial events and trends.

3. AS ATTESTATION EXPECTATIONS EXPAND, SO TOO WILL AUDITORS' SKILLSETS.



Our understanding of "material misstatements" is expanding. Auditors aren't just looking at hard financial data — now, considerations like upcoming regulatory risks and the strength of cybersecurity controls are falling under their purviews. It's not stopping there, either: As technology evolves, attestation responsibilities will continue to broaden. For example, auditors are already being asked to provide attestation around the use of cloud technology and audits of crypto assets. Beyond understanding what technology is being used, they need to know how it works, what risks it carries and how companies can mitigate those risks. As demand for these skills increases, specialization will become the norm. Auditors will specialize in identifying certain areas of risk and fraud rather than taking generalist approaches.

4. TECHNOLOGY WILL TEAR DOWN COMMUNICATION BARRIERS BETWEEN AUDITORS AND STAKEHOLDERS.



The auditing process has always had an iterative element through official communications like SEC questions on quarterly filings. Now, it's becoming more collaborative than ever before. Steady streams of data are automatically collected and analyzed year-round, leading key stakeholders — including regulators — to look to auditors for frequent, real-time updates on the condition and future prospects of a business. Providing perspectives outside of the official release of the audit opinion will become a normative part of the audit process over the next several years.

5. THE CLOUD WILL SIGNIFICANTLY REDUCE TIME SPENT ON THE AUDIT PROCESS.



The cloud offers indispensable value to the auditing process, which will make it a standard tool in the auditor's toolbox in the coming years. With cloud-based collaboration, auditors all have access to the same data and source of information, allowing diverse, global teams to work together quickly and seamlessly. And since everyone is working with the same technology, the organization of data and files will also remain consistent, leading to a more efficient and frictionless experience. Overall, the efficiencies introduced by the cloud will decrease the amount of time spent in the audit process, allowing clients to get the information they need more quickly. The cloud also provides security in the form of data encryption and access levels, so only the right people are seeing the data relevant to them. In the coming years, the cloud will no longer be one possible avenue of communication for auditors — it will be universally expected. Anyone who hasn't made the shift to the cloud is already falling behind.

By 2025, the audit as we know it will be unrecognizable.

It's impossible to overstate how transformational technology is for the audit process. Savvy auditors are keeping abreast of new technology, from predictive analytics to virtual reality and beyond, and already imagining ways it can be used to enhance the value of the audit to both clients and key stakeholders. The trick is to avoid becoming complacent — what's cutting edge today is outdated tomorrow. Stay ahead of the curve by preparing to adopt technology that doesn't even exist yet — your future self (and your clients) will thank you.





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