THE FUTURE OF AUDIT: MYTH OR REALITY?

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SESSION OUTLINE

• Real-time Economy
• Audit of the Future – Dynamic Integration
• What Can I Do Today?
• Conclusion
• Questions
Real-Time Economy
Consider The Following:

Who in the room does have an iPhone, iPad or other PDA turned off?

When was the last time you read an historical financial statement to make a decision?
Consider the Following?

• Does your firm wait for month-end GAAP financial statements to inform everyone as to what is going is going on?

• How often do you get requests for more timely internal reports based on metrics or analytics in your firm?
THE REAL TIME ECONOMY?

IT’S ALREADY HERE!!!

What does this mean for Auditing?
What keeps you awake at night thinking about the **FUTURE** of Audit???
Current Audit Model

Lagging indicators…
- One size fits all (GAAS)
- Ignores non-financial measures
- Audits results of past decisions, well after the fact

Leading indicators…
- Links steps to clients mission, vision and values
- Analytics tied to factors critical to success
- Moves decision criteria to a real time process
Current Audit Model

Lagging indicators...
- Periodic
- Historical
- Cost-basis
- Financial only
- Looking backward

Leading indicators...
- On-demand
- Real-time/future
- Leverages big data
- Comprehensive
- Use of data analytics
- Looking forward
REAL TIME ECONOMY

Processes that are –
• Supported by real-time systems
• Monitored on a close to continuous basis
• AI enabled
• Highly time dependent

Processes where timely decisions give competitive advantage
Real Time Auditing Requires… The Future

Greater Emphasis on the Reliability of:

- Systems
- Processes
- People

Rather than an exclusive focus on the numbers
Auditing In The Future – Key Drivers

- TECHNOLOGY
- METHODOLOGY
- STANDARDS
- NEW SKILLS
A “Vision”

Methodology Tools

Platform Tools

Research

Current

Potential Future

Non-Integrated Manual Process

Dynamic Audit Solution Methodology

External Data
- Industry data,
- adverse news feeds,
- external client information

Client Big Data
- Structured and unstructured

Research:
- FASB, GASB, PCAOB, YB, IAASB, AICPA

Value Add

Financial Statements

RIVIO

Tax Export

Dashboards: Quality, etc.

Nano-learning & CPE
Audit of the Future – Dynamic Audit Solution (DAS)

AI Enabled Engagements
- Intelligent Audit Programs
- Real-time Client Collaboration
- Dynamic Scaling
- Dynamic Dashboards

Data Driven Audit
- Artificial Intelligence
- Data Analytics
- Smart Financial Statements
DAS Solution: AI Enabled Engagements

- AI Enabled Programs
- Real-time Client Collaboration
- Dynamic Scaling
- Dynamic Dashboard
DAS Solution: Data Driven

Data Analytics

Data Driven AI

Smart Financial Statements
WHAT CAN I DO NOW?
Leveraging Current Technology Takes More Than Talk

• Technology: You control it; don’t let it control you

• Planning: Lose the FIFO and SALY mentality. Start fresh and plan how you’re going leverage technology to audit THIS company THIS year
Example Areas to Leverage Technology

• Data Extraction
• Current Analytical tools
• Virtual (remote) audit
• Access to client data
Example Areas to Leverage Technology

• Links to external data (RMA industry data)
• Internet alerts
• Pilot big data and data analytics
• Continuous audit
QUESTIONS?
THANK YOU!

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TECHNOLOGY’S IMPACT ON AUDIT

Strategic Crossroads
Future of Audit
A seismic shift

Data analytics

Artificial intelligence

Cybersecurity

Continuous auditing

Blockchain
Data analytics

Within the audit

Beyond the audit

Source: Brian Fitz-Gerald, Akseshen, Data Analytics Provider
Data analytics – manufacturing niche

Restructured and automated audit procedure templates for a firm's manufacturing practice.

The new templates reduced auditors' time spent on this procedure from 5 hours to 15 minutes.

Source: Brian Fitz-Gerald, Akseshen, Data Analytics Provider
Management reports showed substantial profit decline.

Data analytics identified production factors eroding margin.

Corrective action taken restored profits.

Source: Brian Fitz-Gerald, Akseshen, Data Analytics Provider
Data analytics – restaurant group

Beyond the audit

Data analytics for valuation of a restaurant group with 1,200 locations over 5 years, in preparation for an acquisition transaction.

The purchase price was based upon trend analysis, including identifying underperforming stores in declining markets.

Source: Brian Fitz-Gerald, Akseshen, Data Analytics Provider
Continuous auditing

Blockchain
First way station

* Research
  - vendors
  - consultants
  - universities
  - peers
## Research each industry market to discover strategy

<table>
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<tr>
<th>Industries</th>
<th>Const</th>
<th>Mfg</th>
<th>Banking</th>
<th>Healthcare</th>
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</table>

- Data analytics
- Artificial intelligence
- Cybersecurity
- Continuous audit
- Blockchain
Construction – data analytics

How Big Data And Analytics Are Transforming The Construction - Forbes
https://www.forbes.com/.../how-big-data-and-analytics-are-transforming-the-construct... ▼
Apr 19, 2016 - Huge amounts of resources and work go into major construction projects and of course this means that huge volumes of data are generated.

Data Analytics: Enabling Next Gen Construction | 2017-04-17 | ENR
www.enr.com/articles/41850-data-analytics-enabling-next-gen-construction ▼
Apr 17, 2017 - Data analytics platforms will help the construction industry better manage, visualize and act on what is becoming a staggering amount of data.

10 Ways Commercial Construction Companies Can Use Big Data ...
blog.capterra.com/10-ways-commercial-construction-companies-can-use-big-data/ ▼
Jan 19, 2016 - Unfortunately, the benefits of big data in commercial construction ... understanding of what big data and big data analytics are in the first place.

How the Construction Industry is Using Big Data - The Balance
https://www.thebalance.com › Small Business › Construction › Tech Trends ▼
Oct 7, 2016 - Big data is big news for the construction industry. Interested in why? ... It's what you do with it using big data analytics programs that counts.

Construction analytics: Trends in construction and large capital ...
Observations show that failure rates for large capital projects are consistently high. Learn how...
Manufacturing – cybersecurity

Top Cybersecurity Threats To Manufacturing In 2017
https://www.mbmmag.com/article/2017/.../top-cybersecurity-threats-manufacturing-20...
Mar 16, 2017 - Cybercrime took center stage last year and threats will only become more dangerous in 2017. The cost of cybercrime to businesses is now set ...

Why Manufacturers Should Be Mindful Of Cybersecurity - Forbes
Jun 1, 2017 - Sophisticated hackers can do more than just access private emails -- they can also compromise entire manufacturing IT networks.

[PDF] Cybersecurity in the Manufacturing Sector - National Association of ...

Manufacturing Cybersecurity & IoT Security Solutions | SecureWorks
https://www.secureworks.com/solutions/industries/manufacturing 
Internet of things smart manufacturing technologies may improve production, but they may ...
Understand Vulnerabilities Inherent to Manufacturing Cybersecurity.

Manufacturing’s Confusing Approach to Cybersecurity | Automation ... 
https://www.automationworld.com/.../manufacturings-confusing-approach-cybersecur...
Jul 24, 2017 - With many manufacturers using cybersecurity products from six or more vendors
Concurrent way stations

Research

Re-evaluate audit and risk services department relationship

Together they will shape audit’s future
This begs the question, what is the definition of the “Audit Department”? 

Financial statement attestation only?

What about non-financial statement attestation?

What about consulting as well?

Where will the new technologies manifest first?
Concurrent way stations

- Research
- Re-evaluation
- Get out in front with thought leadership
Your clients and advocates should be hearing from you.
Innovation starts with thought leadership

Thought leadership  

Innovation
Concurrent way stations

- Research
- Re-evaluation
- Thought leadership
- Acquire expertise
  - Data analytics - #1
  - Internal audit
  - Cybersecurity
Traditional talent model  Anticipated talent model
Firm hiring of new accounting graduates has slowed

20% of total new hires since 2014 have been non-accounting grads

Source: 2017 AICPA Trends Report – From AICPA Council Meeting – Fall, 2017
Firm M&A activity: New service areas

26% of largest US firm acquisitions in 2017 were of non-CPA firms

37% of those acquisitions were technology skills

Source: AICPA Council Meeting – Fall, 2017
Concurrent way stations

- Research
- Re-evaluation
- Thought leadership
- Acquire expertise
- Find early adopters
FUTURE

Identify like-minded clients
Decade of collaboration
TECHNOLOGY’S IMPACT ON AUDIT

Strategic Crossroads