

What Will Audits and Financial Statements Look Like in 10 Years?

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What will audits and financial statements look like in 10 years? Will auditors even be requesting supporting documentation directly from the auditee or will it all be obtained from third parties? Will financial statements still be in a flat PDF file of schedules and notes or will they be a series of data files that can be run through programs for interactive and in-depth analysis? And what about those audit working papers? Will they still be an electronic format of the old paper versions audit programs, work steps and tick marks or will they look more like unique programming language that requires a specialized software to decipher? In answering these questions a quote from Bill Gates provides some insights – “We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.”

An important consideration when applying this statement in practice is not trying to predict what the exact changes of the future will be, or when exactly they will occur, but rather being adaptable and ready for the significant changes when they do occur. A perfect example of this is conducting audits remotely. There was discussion in the auditing world for several years as to whether or not an audit could, or would be for that matter, ever conducted entirely remotely. But that is exactly where we are now, as many audits are performed entirely remotely. We weren't waiting on technology. The technology had been in place for several years. It was a shift in mindset triggered by a significant event, in this case the pandemic.

Mindsets and comfort levels can be challenging hurdles when it comes to such significant changes. One item of much discussion in the early days of remote auditing was how to obtain signatures for management representation letters. Many accounting firms still required “wet” signatures on actual client letterhead. Even those that accepted scanned letters questioned if the letter could be on plain paper as organization letterhead may not have been readily available. Remote audits certainly required everyone to think differently about how signatures were to be obtained. Admittedly I found myself stuck in old mindsets and comfort levels on certain matters. In an audit performed entirely remotely, and documented entirely in electronic format, I would print reports and other items on paper to review even though we had all the tools needed for me to perform the review electronically.

Several years ago the terms big data, block chain, and artificial intelligence were used heavily in discussing the future of audits, as in accounting firms needed to immediately become comfortable performing audits using data in this form and obtaining tools that would accommodate such data. HeinfeldMeech responded to this evolution by adding a data analyst position to the firm, an individual trained in managing large data sets and developing methods to test those large data sets using tools such as data extraction software. Was the change of this new found access to big data as profound and as immediate as projected? Possibly not. One could argue the amount of change in two years was overestimated in this case. However, similar to remote auditing, there will likely be an event, whether chosen or forced upon us accountants and auditors, which will bring upon the profound and immediate change as to how this immense amount of data is used for auditing and issuing financial statements. We just need to be ready when that event occurs.

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- [Data Analytics in Auditing and Consulting – Part I](#)
- [Data Analytics in Auditing and Consulting – Part II](#)
- [Getting Your Organization Ready for Remote Auditing](#)

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