

## **The Current and Future Value of the Audit**

### ***Surveys from Deloitte and KPMG weigh in***



While constantly contending with the relentless pace of technological change facing the audit profession, value can be derived from pausing regularly to assess client perceptions of the current and future role of the professional auditor.

To put things in perspective, when I was acquiring my accounting education in the mid-1960's, I accessed the university's IBM 1401 computer system to process my programming assignments. I sat at a typewriter-like machine punching holes into cards that would form a deck that I fed into a card reader that in turn converted the strategically placed holes into electronic impulses processed by the computer. Now fast forward to 2011. According to an IBM publication issued for the company's centennial that year, "the IBM 1401 computer weighed about five tons and had about 16 kilobytes of memory. By comparison, modern cell phones are about 10 million times faster." And that was six years ago.

As the mind tries to grasp the full impact of that last statement, let's turn to the more familiar domain of surveys and responses. In recent months, both KPMG and Deloitte have surveyed company executives and audit committee members for their insights from interacting with their company's external auditor. The Deloitte survey focused more on current value from the audit, while KPMG asked mainly about future expectations.

The *Deloitte Audit Value Survey*, in conjunction with Wakefield Research, queried 400 corporate executives in the third quarter of 2016. The *KPMG Audit 2025: The Future is Now*, queried in conjunction with Forbes Magazine, 200 corporate executives in October 2016.

In an environment where shortcomings and failures are widely publicized, the *Deloitte Audit Value Survey* offered some welcome praise for audits, noting that “survey results show a strong and widespread appreciation for audit insights that go beyond the audit’s critical role of promoting trust and confidence in financial statements.”

Some of the key findings of a majority of those surveyed, as stated in the survey report were:

- most executives were pleased with an audit's ability to deliver new and innovative insights;
- audits reveal things their companies could be doing differently or better;
- audits delivered information about market or industry insights, inefficiencies, or risks that would likely have been missed if not for the audit;
- companies that capitalize on information received from the audit all or most of the time indicate stronger growth than those that do so rarely or never;
- an audit's ability to provide useful information that can improve company performance is highly rated, as opposed to the audit merely being seen as an obligation;
- the information provided during an audit is reliable.

Even with those positive indicators, when those surveyed look ahead they wanted to see from audits “an even wider range of strategic and operational insights that extend well beyond the realm of financial reporting. Their top priorities were: (1) information about spending patterns, (2) assessment of the effectiveness of the company’s business processes, and (3) general recommendations for improving operations.” Some found challenges with fellow company executives who still do not see audit findings as a priority, or do not find them presented in an adequately transparent manner that is effective and useful.

That brings us to the *KPMG Audit 2025: The Future is Now Survey*. As the title implies, the respondents wanted the auditors to be looking to the future not the

past, and they wanted that to happen quickly. The key findings as stated in this survey report were that:

- auditors should 1) use bigger samples; 2) use more sophisticated technologies for data gathering and analysis; 3) perform a deeper analysis in areas they already cover; 4) articulate a clear point of view on critical issues; 4) constructively challenge client management; and 5) help in assessing risks and risk management practices;
- respondents 1) want to leverage data and analytics into actionable insights; 2) are looking for a forward-trending view of risks and data; 3) want more transparency about arriving at the audit opinion and what has been learned during the audit; 4) seek more insight on proactive quality assurance and regulatory compliance; 5) would like to gain more understanding of areas not covered by audit; and 6) would like a more holistic view of the state and prospects of the organization;
- Respondents believe that the biggest challenges to enhancing the impact of audit are the 1) regulatory environment; 2) budget; 3) the litigation environment; and 4) data security;
- Clients are also looking for 1) increased technology skills; 2) communication skills; 3) critical thinking skills; and 4) investigative financial skills.

The Deloitte survey is reassuring in the affirmation that audits and the role of the auditor continue to bring value to a company. At the same time, the KPMG survey reminds us that auditors need to redouble their efforts to stay abreast of the persistent push for technological changes, and that the response to those changes needs to happen faster in order to keep pace, to assure the success and prosperity of the profession into the future.

In the next article, we look at how Deloitte and KPMG are employing advanced technology in the audit process.

Further details can be found at [Deloitte Audit Value Survey and Audit 2025: The future is now.](#)

(<https://www2.deloitte.com/us/en/pages/audit/articles/audit-value-survey.html>)

and (<https://home.kpmg.com/us/en/home/insights/2017/03/new-kpmg-and-forbes-insights-survey-audit-2025.html>)