



New skills for auditors

As their field changes, so do the talents they need to bring to their work

Resume for a future auditor

New times and new tools call for new skills

Auditing is rapidly changing, and that means that the auditor needs to change, too. To get a sense of how, we brought together a panel of experts in the field to set a benchmark for the skills auditors need now, and to envision the skills they'll need to develop in the future.

Traditionally, what have been the most important skills for auditors?

Susan Coffey (executive vice president of public practice, AICPA): Our trust as a profession is borne out of our foundational core values of integrity, objectivity and independence. Without these core values, we cannot be trusted auditors. These important values, coupled with our commitment to competency and quality, as well as our ability to apply professional judgment and skepticism, are critical to ensuring high-quality audits.

Bert Fox (national managing partner of professional standards, Grant Thornton): Overall, the biggest skills for auditors have been and will continue to be professional skepticism, the ability to have sound business judgment, and sound accounting technical skills. Historically, skills such as attention to detail in repeated transactions and the mathematical accuracy of large footings are losing importance with the gains in technology.

James Powell (national partner-in-charge of campus recruiting and university relations, KPMG): Accounting, critical thinking, and problem-solving skills historically have been sought-after skills in auditors. Beyond key accounting and auditing knowledge, there are several essential professional skills and characteristics that are baseline, entry skills auditors must have:

- ▶ Ethics and integrity;
- ▶ A passion for lifelong learning;
- ▶ Relationship building and partnering;
- ▶ Communication;
- ▶ Problem-solving;
- ▶ Innovation;
- ▶ Teamwork; and,
- ▶ The ability to work with diverse viewpoints and people.

Mike Iosue (assurance services director, Marcum): The makeup of a great auditor starts with the ability to think critically. Numbers in a set of financial statements always tell a story and have interworking relationships. In order to think critically, a quality auditor must develop the following:

- ▶ Professional skepticism;
- ▶ Strong business acumen;
- ▶ Attention to detail;

- ▶ Strong communication skills; and,
- ▶ Care — this is my favorite. When you care, everything mentioned above seems to fall into place. Funny how that works ...

Vanessa Teitelbaum (senior director of professional practice, Center for Audit Quality): Curiosity, critical thinking, strong communication (written and verbal), and professional skepticism are all essential skills for auditing. Curiosity helps auditors understand the substance of a process or transaction. Critical thinking helps auditors apply creativity and resourcefulness to solve problems as well as evaluate the audit procedure and evidence. Communication skills help auditors clearly synthesize results for management and the audit committee. And professional skepticism is the questioning mindset that is important to apply to every facet of the auditor's work.

What would you say is the single-most important new skill that auditors will need to develop in the future?

Al Anderson (president and founder, Accountability Plus): Critical thinking. This may not be deemed a new skill, but it is a skill that now needs to lead the audit as we move from historical financial statements to real-time assurance. As technology continues to press forward and real-time data becomes the norm, the ability of an auditor to interpret data and decipher how it effects the client's business will be paramount. Critical thinking is the ability to not only ask the right questions but be able to ask the next best questions.

Powell: Technology knowledge and acumen have become increasingly important for the auditor. Companies are digitally transforming their businesses to stay competitive. As a result, clients and the public markets expect a digital transformation of the audit, using technology to deliver quality audits and to develop insights into clients' businesses and industries. Not only must auditors be well-versed in accounting principles, they need skills in data mining, analysis and visualization. Auditors need to "speak the language of data."

Auditors should have a mindset that embraces lifelong learning so they are able to adapt to new technologies and environments. Our clients expect us to keep ahead of ever-changing technology; we need people with skills to enable us to meet that expectation.

Teitelbaum: Data analytics is the most important new skill auditors need. This includes understanding how to obtain the data, then wrangle, organize and analyze the data for patterns.

Coffey: More and more auditors will need to have

deeper experience and expertise in extracting data, assessing the integrity of that data, and evaluating relevant information from disparate, as well as integrated, emerging technologies and systems. They will need to be able to assess the efficacy of enabling technologies. These skills will support greater judgment and decision-making capabilities needed for audits of entities in a highly complex and changing environment.

The audit has always been data-driven, but when you look at audits today, they are essentially an electronic version of the paper-based audit. This is rapidly changing. Soon, auditors will more frequently use data from a variety of sources, both internal and external to the company, industry, economy, countries, etc. I encourage auditors to keep in mind that technology is an enabler, not a displacer. It will enable the auditor to apply his or her judgment in a more meaningful and robust manner.

Iosue: There is a rapid progression of artificial intelligence, machine learning, robotic process automation, blockchain and advanced tools for data analytics happening in our industry now — pick one (or more)! While auditors' responsibilities in executing engagements have not changed, the methods used to perform them have evolved. We are now entering what may be the most exciting and transformative period in the audit industry since the introduction of the personal computer and the spreadsheet. Those who embrace these changes will succeed.

Fox: Curiosity. Both auditing and the broader world are evolving at an ever-increasing pace. Auditors need to be curious; they need to be ready to try and adopt new ideas, learn new skills, and incorporate new technologies into the profession, otherwise they will be passed by.

Are there any other skills you think they'll need?

Teitelbaum: It's important to balance the traditional skills with the new skills used to operate technology effectively. For all the benefits of new technology, auditors must consider the potential risks. For example, if drones can be used for inventory observation, what new risks will result? As the audit evidence changes due to new technology, auditors will need to consider how they should evaluate the sufficiency and appropriateness of audit evidence to comply with auditing standards. This is especially true during COVID-19, which has accelerated the use of many remote technologies.

Iosue: With the rapid progression in innovation and technology, auditors will need to adapt how we apply our foundational skills (critical thinking, business acumen, etc.) to new innovative tools. For example, it will be important to understand that AI, which is a trainable tool, can end up having bias, or that analytics can be manipulated to paint a picture that is different from reality.

Anderson: Not embodied in any one single person, the

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skills that will be essential for auditing include:

- ▶ Data analytic design (leveraging RPA and AI);
- ▶ Data analytic interpretation and reporting;
- ▶ Understanding IT;
- ▶ Knowledge of IT's impact on security;
- ▶ Understanding data ingestion channels;
- ▶ Willingness to embrace emerging technologies;
- ▶ Ability to manage people;
- ▶ Leadership skills; and,
- ▶ Visionary talents.

Fox: Auditors will need strong foundations in data analysis, understanding of how RPA and automations work, and understanding of IT systems.

Critical thinking is also extremely important. While this has always been a core competency, this skill provides a foundation for thinking of better ways to perform and deliver, new deliveries, and understanding of how things work. Said another way, the auditor can't be just trained on the technical aspects of accounting, auditing, tax, law and IT, but also how to analyze, understand, solve and create.

Powell: The ability to build relationships virtually is growing in importance. With much of the nation's workforce transitioning to telework as a result of COVID-19, our people need the skills to supervise and connect with their teams in a virtual environment. It is also critical that they build relationships with their clients. They no longer can walk the halls while at a client site and connect with people. It is a different skill to build relationships in a virtual environment. ...

Auditors also need to understand their clients' technology systems. IT auditing skills are becoming increasingly important as more and more companies digitize operations. Auditors need IT auditing skills in order to deliver quality audits for our clients and the capital markets.

Does each individual auditor need to have these new skills, or is it enough to make sure that someone on every audit team has them?

Fox: The majority of the engagement team will need to have a core understanding of how these skills impact auditing and how they can be used. Not every team member will have to be a data scientist, but the majority of the team will need to understand how data analytics can inform the team's risk assessment and responses to those risks. Similar to using other technologies, not everyone has to be able to program computer software, but most people have to be able to use it for it to be functional.

Powell: Diverse audit teams are the most successful audit teams. Audit engagement teams need diverse skill sets that meet the individual needs of each specific client and its industry. Engagement teams benefit from having

people who are well-versed in AI, cognitive computing, data science, blockchain and other technologies. Each team needs people with skills that are responsive to its client's needs and match the client in its technology journey. Since our audit professionals go from audit to audit and therefore team to team, it is important they have a baseline in each of the skills that we described.

Team members who bring different viewpoints and skills ensure we deliver our clients the best in audit quality as well as audit client experience.

Anderson: No. There are very few unicorns. The role of each team member should be based specifically on their individual talents, and their skills that are further developed should be based on those talents. Let rainmakers make rain.

Iosue: Everyone in the audit profession will need to embrace the changes in the way tasks are performed through the new tools at our disposal. We will need to understand how the tools work, what their outputs mean, and their limitations. These tools are not going to replace the auditor, but allow us to perform our jobs more effectively and efficiently. While not everyone will be required to know how to operate the new tools, as this can be a role for individuals with an aptitude and interest in it, we will all be required to obtain the skills to analyze their outputs.

'For the audit to remain relevant, the auditor needs to be proactive ... and embrace these changes.'

Teitelbaum: I don't think that all audit team members need to have certain specialized skills at this time, because a specialist or expert could assist a variety of teams. However, over time, auditors at all levels will likely need an understanding of these new skills and the ability to apply them. For example, many of us quickly became comfortable using video conference tools like Zoom since we began working remotely due to COVID-19.

Coffey: Someone on every client audit definitely needs these skills, and I hope in the future that every CPA has them as well. While this may not be pragmatic, CPAs as a profession should absolutely be known for these skills, which is one of the objectives of the CPA Evolution initiative, a joint effort with NASBA that aims to transform the CPA licensure model to recognize the rapidly changing skills and competencies the practice of accounting requires today and will require in the future. We heard from stakeholders across the profession that new CPAs increasingly need deeper skills and knowledge in areas such as critical thinking, professional judgment and skepticism, problem-solving, data management, emerging technologies, and systems and controls.

What's driving the changes in auditors' skill sets?

Powell: Technology has disrupted — and will continue to disrupt and transform — business and society as the quantity of data continues to increase and advanced technologies play a more significant role in corporate reporting. ... The importance of technology is growing as companies adapt to a world of virtual working imposed by the pandemic. Companies have accelerated their automation and technology strategies in order to maintain their day-to-day operations.

Technology and automation are key strategic focus areas for many CFOs. Some clients already are using bots, AI, blockchain and other technologies to process information. Our clients expect us to keep ahead of technology; we need people with skills to enable us to meet that expectation.

Iosue: Innovation and technology. And because a number of our clients view the audit as a commodity, these changes will help increase audit efficiency and allow us to be more competitive. Also, it is important that we don't lose sight that the foundation of the profession is not changing and the foundational skills of an auditor have not and will not change in the future. When Excel was introduced and we developed our spreadsheet skills, the foundational audit skills did not go away. Excel was an added tool to be learned to become more efficient auditors. Learning a new analytical tool or an AI platform will be similar. An important key will be how to apply our foundational skills to the latest new innovations.

Fox: The major change in an auditor's skill set is the pace of change in the surrounding business environment. Transactions are becoming more automated with less of a traditional paper trail and manual controls. Businesses are growing and the level of transactions are growing with them. These factors, combined with a competitive environment to maintain audit costs, is leading auditors to look at ways to use advanced data analytics and automation tools to enhance the effectiveness and efficiency of audits.

In addition, the auditor of the future may be performing some form of certification, attest or assurance related to things other than, and perhaps instead of, traditional financial statements.

Teitelbaum: As our world and everyday life becomes more digital, there are more technological options (think Confirmation.com compared with sending manual confirmations, etc.) that are more efficient. Further, so many companies have a technological component to the way they transact business that auditors must keep up.

Anderson: Business is changing at an exponential pace due to advances in technology. For years the audit process has remained fundamentally the same without regard to these changes. For the audit to remain relevant, the auditor needs to be proactive, rather than reactive, and embrace these changes and lead the way to auditing in the future. **AT**