

How Advanced Technology Is Creating New Possibilities, And Requirements, For Financial Reporting And Audit

By Jeff Koyen

Technology continues to change how companies manage their finance function, and most executives are fully aware—and supportive—of tech’s role within their organizations. But precisely what benefits does technology bring today, how will this change in coming years and in what ways will tech influence the next generation of finance professionals?



These questions were at the heart of Forbes Insights’ May-June 2021 survey of 250 senior U.S. finance executives, performed in conjunction with KPMG LLP. The executives represent all major sectors and work at organizations posting at least \$1 billion in global revenue for the most recent fiscal year. We also spoke with several leaders at KPMG to lend greater context to the data.

What do executives expect from their technology?

“Companies are constantly looking for greater insights related to their business,” says Heather Paquette, national technology assurance leader, KPMG. “Leveraging smart analytics and artificial intelligence gives them those insights, both to generate business value and make financial decisions.”

Smart analytics and artificial intelligence—throw in cloud computing, and you’ve got what might be considered the Dream Team of finance technology. Edge computing, blockchain and automation technologies, such as robotic process automation (RPA) and business process automation (BPA), are also playing important roles.

Which solutions will achieve mainstream adoption in the industry the soonest, and how will expectations change as a result?

Which Technologies—And Why

As the survey demonstrates, finance executives are well aware that artificial intelligence and other advanced technologies are being used in their industry. And since it’s as expensive as it is powerful, the latest finance tech must justify itself practically.

The most obvious benefit for executives is getting better insights through more nuanced data. As Scott Flynn, KPMG’s vice chair, Audit, says, “In the conversations I have with C-suite executives ... that’s the thing they’re looking for: the *insights* that the data is able to identify.”

In terms of specific must-haves for their internal finance functions right now, most executives pointed to cloud computing and storage (74%); smart analytics, including data extraction and transformation and data visualization (62%); and artificial intelligence, which includes machine learning and natural language processing (56%).

Most executives expect BPA (43%), process mining technology (42%) and RPA (48%) to be required finance capabilities within two years.

“Robotic process automation is undervalued at this time,” Paquette says. “It should be higher on executives’ radars.”

Many executives expect blockchain (51%) and edge computing (36%) to become important internal tools within five years—but no sooner than three.

Internal Functions Versus External Auditors

For most business leaders, internal reporting is just one facet of the finance function. The role of the external auditor is often just as important, as is that auditor’s use of the latest digital tools.

Nearly all executives (98%) said their external firm uses advanced technology in the audit process, and most agree this improves the quality of the audit (98%). (This represents a marked change from just three years ago, when 74% of executives noted the use of advanced tech by external auditors. Digging deeper, just 26% of executives in 2018 considered artificial intelligence a must-have for outside firms; today that figure is 61%.)

Using advanced technology, executives say, delivers deeper insights into areas of heightened risk, provides better benchmarking and increases data coverage.

The majority of executives also say advanced technology enhances their client experience (94%).

Perhaps that's why most executives (58%) see external auditors as being more technologically advanced than internal finance functions. Just 8% of executives believe their own use of tech is more advanced.

These results don't surprise Flynn.

"We've got to be able to prepare, perform and execute against audits for companies across a wide spectrum," he says. "It's moving with them, but [also] anticipating where they're going."

While he agrees with Flynn's assessment, Christian Peo, national managing partner, Audit Quality and Professional Practice, KPMG, believes it equally important to pay close attention to that minority of finance executives on the technological vanguard.

"To keep up with those 8% who are changing and innovating so rapidly, we need to invest and spend time and be on par with how they're changing," Peo says. "We need to keep up with them, and we need to spend—that's an opportunity to enhance audit quality."

Where, then, should external auditors be investing in order to keep current and deliver on these heightened expectations?

"Data and analytics," says Paquette. "Sixty to seventy percent of controls expect to be automated in the next five to 10 years. ... We're also evolving our audit approach along with the companies that we audit."

The Future Of Talent

Conversations about AI and automation often center on the risk to human jobs: Will robots replace people? The answer, of course, is “No.” Automation will change how many industries operate, but the “human factor” will prove irreplaceable in certain functions.

For finance, Flynn says, “Those people who are intellectually curious and are able to draw insights from disparate data pools, those people are going to be truly exceptional. ... There’s a role for them in audit’s future and, candidly, finance in the future.”

Flynn believes that technology will change financial reporting in ways that improve the lives of finance professionals, auditors included. In the form of machine learning and natural language processing, for example, AI can automate tasks that require time-consuming manual oversight. As AI adoption grows, more of the industry’s human capital can be dedicated to more creative tasks.

Seen through this lens, it makes sense that tomorrow’s finance professionals will be expected to be sharp, insightful thinkers. Most executives say their financial reporting staff must have critical thinking, reasoning and problem-solving skills (80%); investigative financial skills (66%); and an ability to achieve specific objectives by developing relevant data analytics (66%).

“The ability to perform in-depth analysis and draw correlations from distinct data is going to be really important,” says Flynn. But, he adds, it “goes without saying” that fluency with technology will be important as well.

Indeed, the jobs of next-gen auditors may be more technical in nature than those of their peers working in internal finance functions. For the former, our executives prioritized fluency with AI, RPA and blockchain (76%) and a background in data science (75%).

“Whether it’s data and analytics or using bots in auditing procedures, we believe the next generation of auditors must have foundational skills in technology,” says Paquette, “and they must acutely understand the financial processes and that intersection of risk between financial and technology.”

Though he agrees that technical proficiency is vital to the rising generation of financial professionals, Peo offers one important caveat: “[T]hey also need the traditional skills: being able to speak with management [and] the audit committee in a way that’s understandable, take

very detailed findings that are uncovered through the use of technology and put it in a way that's understandable in nonaudit speak.”

The “human touch” will never become obsolete.

Toward Greater Automation

For good reason, digital transformation is an ongoing concern among most executives. As the survey reveals, finance technology is evolving quickly and bringing change to the industry.

Trends toward greater automation are apparent, as are preferences for technology that produces greater insights. Executives are putting great demands on their own organizations to remain technologically current, which in turn puts more pressure on their external auditors.

This is the future, says Paquette.

Executives want to optimize and “digitize their business holistically,” she says. “Those trends are going to continue to increase, both in driving business transformation [and] driving automation of the auditors.”

For more about this topic, please read the full Forbes Insights-KPMG report, Future-Proofed: How Technology Is Driving Change In Finance And Audit.

Jeff Koyen is an award-winning journalist, media entrepreneur and early cryptocurrency investor. He lives in Curaçao with his family.

The views and opinions expressed herein are those of the survey respondents and do not necessarily represent the views and opinions of KPMG LLP.