

Transforming the Audit

An Interview with **Joseph B. Ucuzoglu**,
Chairman and Chief Executive Officer, Deloitte & Touche LLP

EDITORS' NOTE Before assuming his current post, Joseph Ucuzoglu served as Deloitte's National Managing Partner for Government, Regulatory, and Professional Matters. Prior to rejoining Deloitte, Ucuzoglu served as Senior Advisor to the Chief Accountant at the Securities and Exchange Commission.



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COMPANY BRIEF "Deloitte" is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, tax, and related services to select clients. As a leader in the public accounting profession, their audit professionals are committed to excellence and to enhancing the trust of the investing public and capital markets. Quality is top priority, and by focusing on innovation, it continues to raise the bar on quality and deliver greater value to clients. Deloitte's (deloitte.com/us) public company audit clients total approximately \$5.5 trillion in market capitalization and include 23 percent of Fortune 1000 companies.

Is it hard to show what makes Deloitte unique among audit firms?

It is incredibly important that auditing firms compete in a vibrant market and find ways to differentiate the value of the service we provide. We want prospective clients to be able to choose an auditor on the basis of key criteria, one of which is the quality of our service and, increasingly, another of which is innovation.

When we market our services to clients looking to hire an audit firm, we lead with the investments we're making in innovation and the way in which we're transforming the audit through the use of advanced data analytics and artificial intelligence.

This is exciting for the profession, because it enables us to demonstrate the significant value we provide, and it's exciting for new professionals to have an opportunity to transform the way an audit is performed.

We're putting a lot of eggs in the innovation basket.

For those outside of the industry, audit would not be an area that one might necessarily think of as driving innovation. Does that hold true?

Those outside the profession are right – audit has not historically been at the forefront of innovation. However, that is changing rapidly. We need to be evolving at the same pace as our clients, and our clients are making significant investments in advanced technologies. They expect us to be evolving our audits to keep pace.

We now have the ability to use advanced technologies to harvest large volumes of data, quickly identify outliers, and spend our time on the areas of highest risk. This enables us to do a higher quality audit and deliver greater insights, leveraging the systems and the data that our clients have invested in.

We're not just talking about this in concept, we're actually applying it today on our audits. The feedback we have received in the marketplace is that we are differentiating ourselves with the quality and capability of these leading edge technologies.

Do the advances in technology change the role of the people and how critical is talent given that?

This is an exciting time to be in the auditing profession. The advances in technology don't replace people; they provide our professionals with better information to make high quality decisions.

Rather than spending time in low value areas, and manually manipulating data, now our professionals are able to deploy these advanced technologies to gain insights at the front end. This leads to more effective auditing, better judgments and decisions, and ultimately higher quality and greater value.

Our people are extremely excited about this. Particularly our next generation of talent – they are excited to be using these advanced technologies, and about the fact that they have a hand in shaping the audit of the future and doing things differently than in the past.

Is academia moving quickly enough in broadening the skills of those now entering the profession?

We're working with the academic community to ensure that curricula are evolving and keeping pace, as the skill set of the successful auditor of tomorrow is not the same as the skill set of the successful auditor of the past.

Technical accounting and auditing expertise is still important, but it's only one piece

of the overall puzzle. Data science skills are in high demand. The ability to synthesize data from many different sources, analyze the results, and come to high-quality conclusions is becoming a more important skill set, and the ability to communicate the findings from these advanced analytics clearly and persuasively is what truly differentiates our highest performers. While the academic curricula is evolving, there is still a healthy dose of training that does need to occur in-house once someone is hired.

How do you foster this culture of innovation internally?

We work very hard to create a culture of innovation that rewards our people for thinking outside the box, challenging the status quo, and doing things differently. This year, we've built into the goals of our professionals specific, measurable objectives with respect to embracing innovation.

This is also one of the areas where we benefit from the breadth of our practice. Deloitte has a broad set of capabilities beyond auditing. We have a leading tax practice, and we have leading consultancy and advisory capabilities. In order to get innovation right, we are bringing to bear the diverse capabilities that we have under our roof.

Are large global corporations the sweet spot for Deloitte or is your client base much broader?

We value the blue chip companies we serve, but we've also made significant investments in the emerging growth company space. We want to be associated not only with the Fortune 500 today but with the emerging companies that will grow into the next generation of blue chip companies in future years.

What impact is the regulatory environment having and has regulation been good for the profession?

When we look at it through a strategic lens, regulation has been positive. The reason regulation exists is because what we do is so important to the effective functioning of capital markets. I consistently tell our people that they should be glad there is scrutiny by regulators and politicians, because it reinforces the importance of what they do to the broader economy.

We've taken the approach of working constructively with the regulators to understand their perspective, to identify opportunities for improvement and, ultimately, to use regulation as an advantage to help us get better at what we do. ●