

How AI Is Transforming the Accounting Profession

By Gundi Jeffrey, Managing Editor



Gundi Jeffrey is an award-winning business journalist specializing in writing about the accounting profession for various publications in Canada. In 1985, she co-founded The Bottom Line, which was Canada's only independent publication for the accounting and financial professions for more than 30 years.

Artificial intelligence (AI) and machine learning (ML) is turning up everywhere – in our devices, most of the machines we use – both at home and in the office – cars, trucks and buses, our various business processes and much of what accounting professionals do to earn their keep.

ThinkTWENTY20 talked to MNP about AI for our first issue more than two years ago. Since then, AI, along with machine learning, has taken over a lot more work that accountants used to do, and is being used in new and innovative ways. Now that we are two years further ahead, and having coped with the many changes Covid-19 has also brought about, MNP is revisiting the AI theme for our current issue, Fall 2021. This time, David Danziger, Senior Vice President, Assurance & National Leader, Public Companies at MNP, is providing the answers.

ThinkTWENTY20: *On which of your services is AI having its biggest impact? How has this new technology transformed even more the way you conduct audits these days?*



Danziger: The commercially available AI/ML audit tools are still relatively immature, can be difficult to scale and, for the most part, assume that client data is properly formatted to suit the tools when, most often, it is not.

In essence, we are still in the early days of where we expect AI to evolve, but we are quickly finding the areas where AI and automation techniques are a fit. Some of the positive changes that MNP sees occurring as a result of these tools include:

- The way we view client data:
 - The scope of client data that we can request for an engagement has expanded, which enriches the information available for our audits and reduces the need for sampling.
 - We have accelerated our adoption of cloud-enabled technologies, allowing us to put new tools into the hands of our practitioners sooner.
- We can be more targeted in our approach to identifying where audit risk exists through the use of AI through:
 - Pattern recognition.
 - Outlier detection.

- Flow analysis.



ThinkTWENTY20: People say that, ultimately, AI and machine learning will make auditors obsolete. What do you think? Won't their type of work simply shift to something in the audit that needs human input?

Danziger: In essence you are correct. Judgment and interpretation will continue to be advanced skillsets required by auditors. I do think the auditor's job will evolve. Teams will need to become much more data literate and their skill

sets will need to change over time as the level, quality and volume of information changes. Likewise, our work with our clients will change as they start to make use of new processes and systems such as Robotic Process Automation (RPA) and AI.

We are still in the early days of where and how we expect AI to evolve, but we are quickly finding the areas where AI and automation techniques are a fit for us.

At MNP, we have taken a "human in the loop" approach to AI/ML adoption. The professional judgment of auditors will always be needed to bring all the insights together. We believe AI will augment the work being done by our teams, much like any other tool. We believe that auditors will be able to dig much deeper into their clients' data and process much higher volumes of data with AI as a part of the execution of an engagement – allowing them to ask much better questions and develop new audit methodologies.

ThinkTWENTY20: What about accounting and consulting services? How are AI and machine learning making their presence felt in that arena?

Danziger: Similar comments around the maturity of the tools but we are seeing what we would call a quiet AI/ML revolution. Most of the development is coming from cloud technology providers who have embedded AI and ML within their applications to solve very specific challenges. These point solutions haven't necessarily transformed the way we work entirely; they are making the work were already doing more efficient and more insightful. Manual data entry is being eliminated. Deterministic processes are becoming much more efficient. Our team members are shifting from managing everything, to managing the exception.

ThinkTWENTY20: What challenges do these new transformative ways of operating pose to the



accounting profession?

Danziger: At MNP, we've been talking for the past few years about how important it will be to bolster and develop the skills for staff (Change Management). For example, staff don't necessarily need to know exactly how an algorithm does what it does, but they should be able to have an educated conversation about approach, what it is doing and why things were approached in a certain way, etc.

Likewise, university-level education needs to mature along with industry. You could probably argue that new students and CPAs will be better positioned than existing staff to tackle these areas as these topics become more ingrained in the syllabus.

Training of new CPA candidates will change; the areas where new students trained and learned the nuts and bolts of client's operations will fundamentally change as areas such as inventory counts, detailed tests, etc., are automated.

Similarly, training requirements for firms will have to change to accommodate teaching more of those detailed areas. As the manual and repetitive tasks of an audit are reduced through AI and machine learning, staff will be able to focus more time on intimately learning their client's business.

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Another challenge will be that the expectations of AI in Audit Data Analytics would vary greatly. A lack of understanding of what AI can and cannot do has the risk of leading to inconsistent expectations of AI

ranging from: “AI will replace my job” and “AI will just do all the work for me” to “AI cannot possibly be trusted” or “My clients are too unique for AI to be helpful.” The truth lies somewhere between these extremes and is solely dependent on professionals informing AI with clean data and applying it to definable problems in service to the audit.

ThinkTWENTY20: *What are the risks of using AI and machine learning?*

Danziger: There is a risk of overreliance by engagement teams and not applying professional judgment on the inputs or outputs. There is also a risk in firms not appropriately vetting or understanding the technology that they are deploying.

It is essential to ensure that relevant personnel understand AI technology, its capabilities and, most importantly, its limitations.

Another key risk is what I call separating “fact from fiction.” This is especially true when sourcing solutions because many vendors are not mature enough to be used at scale, or only work on a very narrow set of problems.

Finally, it goes without saying that there is a risk of the overall quality of the data that clients provide – the “garbage-in-garbage-out” scenario. Not all clients will be good candidates for using advanced data analytics or AI. Additional processes may be required to properly “wrangle” the data into a format that AI can recognize and properly process.

ThinkTWENTY20: *And what new opportunities do they offer?*

Danziger: We believe that introducing AI to the audit approach will remove or reduce low value and redundant tasks, allowing teams to focus on what matters most for their clients’ businesses. AI can also identify or unlock insights that would have previously proven very difficult, particularly at scale. Finally, AI can assist in better measuring the quality of an audit year-over-year and lend towards continuous improvement. As mentioned earlier, this provides more time for staff to focus on high-value tasks and insight generation that will help clients successfully run their businesses.

ThinkTWENTY20: *Will auditing and accounting standards have to change, or new ones created, to accommodate these changes taking place?*

Danziger: Accounting standards are not going to change as a result of anything the auditor does. They will progress as new businesses trying new ideas require new standards to account for new types of transactions not seen before (i.e., cryptocurrency and blockchain). Auditing standards will necessarily need to incorporate these tools as they mature.

Audit teams will need to become much more data literate and their skill sets will need to change over time as the level, quality and volume of information changes.

At MNP, we would not advocate for evolving standards to be too prescriptive such that firms cannot innovate and find better ways of doing things. Standard setters, so far, have not gone with this approach and have been open in their language, allowing more advanced techniques and technologies to be applied. We believe that, in the long run, this approach will lead to the greatest outcomes in the application of AI to the audit – all with the lens of helping our clients run their businesses with confidence.

ThinkTWENTY20: *Do you have a service area that now focusses on the questions that come with the use of AI and machine learning? Are a good number of clients seeking help with such issues?*

Danziger: Our Assurance Innovation team works with our Standards Group to make sure that the AI and machine learning we adopt aligns with professional standards and regulatory expectations. Also, our technology consulting services at MNP have complementary expertise and assist accordingly.

ThinkTWENTY20: *Can you give an interesting example of such projects?*



Danziger: We make use of Audit analytics for Risk Assessment and other audit processes through a commercial AI tool called MindBridge. We have been working closely with MindBridge for years and continue to expand the use of that tool within our audits.

ThinkTWENTY20: *Where do you see this heading in, say, five years or so? What does your future look like?*

Danziger: The easiest way to describe where we see AI heading in the short term is that it will allow auditors to stitch together a higher volume of data that will provide additional insights into the audit process, while at the same time unlocking additional insights that will help clients run their business.

In the future, AI has the potential to help auditors move toward more real-time, intelligent and continuous auditing.