The Rise of Accounting Automation

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Lynn Fountain

Lynn Fountain is an author, trainer and consultant as well as past Corporate Executive. She has over 40 years of experience spanning public accounting, corporate accounting and consulting. 20 years of her experience has been working in the areas of internal and external auditing and risk management. She is a subject matter expert in multiple fields including internal audit, ethics, fraud evaluations, Sarbanes-Oxley, enterprise risk management, governance, financial management and compliance.

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Introduction

- The outbreak of the global pandemic in 2020 resulted in many businesses having to critically evaluate their automation process.

- Remote work and ongoing global changes has resulted in the need for the world to continue to embrace automation and efficiency.

- In this session we will take a look at some of the top emerging concepts in accounting automation.

Agenda

- **Evaluating automated and cloud-based accounting technologies**

- **Examining the use of blockchain in accounting and finance**

- **Determining need to invest in data analytics**

- **Understand the risk in accounting automation**

- **Additional Resources in CCH® Accounting Research Manager® —** *Matt Seegmiller, Sales & Business Development Manager, Wolters Kluwer Tax & Accounting*

POLLING QUESTION

Does your company/firm use some form of accounting automation (AI, RPA, ML)?

A. Minimal
B. Moderate
C. Significant
D. Not Applicable

Evaluating Automation and Cloud Based Technology

Background

- Accounting software originally ran on mainframes and mini-computers with financial data stored in databases.

- As computing power became more efficient, businesses had to chose between legacy processes or upgrading. Legacy process shortcomings:

  - Costly hardware, dedicated computers and on-site storage

  - Software licensing and maintenance

  - Hiring/contracting IT support

  - Cumbersome data with a need to keep secure and sync across devices

  - Increasing data capacity was costly, access to data was limited

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Cloud Software

- All application functions are performed off-site, not on the user's desktop.

  - Users access software applications remotely via Internet or other network using a cloud application service provider.

    - Cloud software removes the need to install/maintain software on individual desktop computers.

    - Allows employees in other departments to access the same data and the same version of the software.

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Background
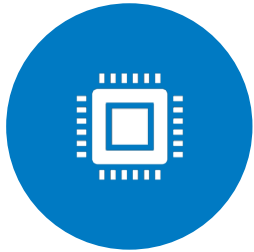
In 1998, NetSuite released the first online accounting software.

In 2021, the world acclimated to new ways of managing work together.

Cloud maturity will be essential for 2022 digital advancement.

In today's world, technology is evolving at lightspeed

Today, cloud accounting software provides advanced business intelligence and analytics that increase insights into accounting platforms.

Cloud accounting software is similar to traditional, on-premises accounting software. Only the accounting software is hosted on remote servers.

Data is sent into "the cloud", and processed and returned to the user.

Automation Benefits

- **Access and availability** — software and data can be accessed anywhere, lowering costs and creating possibility for distributed work teams.

- **Computing power and speed** — Forbes predicted in 2020 that AI, RPA, IoT, blockchain and Big Data would drive the need for IT infrastructure growth.

- **Unified business operations** — allows integrations with other business software. Data is synced and visible.

- **Security and RM** — CSPs backup application data in different locations. Companies are less likely to see a disaster wipe out their data.

- **Automation and financial intelligence** — Automates workflows and handles repetitive tasks, improving user efficiency, and freeing HR.

These end-user focused features contribute to more streamlined invoicing, quicker payment processing, and transparency into the financials.

Blockchain and Data Analytics

Blockchain

- Accountants should understand the basic role of blockchain: ***maintaining a ledger of financial information and transferring the ownership of assets in a safe and verifiable manner.***

- Part of the design of blockchain technology is a distributed ledger that assures the confidence of everyone involved.

  - When implemented properly, the blockchain offers strong potentially unbreakable protection.

- It has the potential to allow for increases in the scope of accounting by allowing accountants to focus on more value-added responsibilities.

https://www.icaew.com/technical/technology/blockchain-and-cryptocurrency/blockchain-articles/blockchain-and-the-accounting-perspective

Blockchain *(cont'd)*

- For accountants, the benefits of this technology is clear:

    - Transaction automation with less error in data

    - Less fraud and more trust in transactions

    - Increase in transaction security and less bad data

    - Transactional-level work will be done via automation

- To become integral in the financial process blockchain must be further developed, standardized and optimized.

    - Process expected to take years. Today, the use of blockchain in the financial field is still largely in an investigative stage.

https://www.icaew.com/technical/technology/blockchain-and-cryptocurrency/blockchain-articles/blockchain-and-the-accounting-perspective

Blockchain *(cont'd)*

- There are many blockchain applications and start-ups but there are very few that are beyond the proof of concept or pilot study stage.

- The accounting profession can be:

  - Crafting regulation and standards to cover blockchain

  - Work as advisers to companies considering joining blockchains themselves, providing advice on weighing the costs and advantages of the new system.

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Blockchain *(cont'd)*

- Accountants do not need to have detailed knowledge of blockchain operation.

  - They will need to know how to advise on blockchain adoption and consider the impact of blockchain on their businesses and clients.

- Accountants' skills will need to expand to include an understanding of the major features and functions of blockchain.

  - Accountants do not currently need to know all of the ins/outs of blockchain, but it's time to keep an eye on developments.

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What is Big Data?

- Big data is larger, more complex data sets, especially from new data sources.

  - Traditional data processing cannot manage these these large data sets.

  - However, the large volumes of data can be used to address business problems previously difficult to tackle.

- Big data analytics focus on the prediction of future outcomes and embed predictive models in business operations.

  - New sources of data mean better prediction possibilities.

  - ML techniques increase the accuracy of prediction models.

Data is at the heart of accounting, and big data can help accountants deliver more value to businesses.

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Big Data

- Why is big data being created?

  - Data sources (social media, mobile technology, Open- source data, IoT)

  - Computing power/Infrastructure — Has enabled new collaboration/knowledge creation, (crowdsourcing and open-source software.)

- What are opportunities/risks?

  - Insight — Provides ability for more detailed insights.

  - Analytics and visualization tools are more user-friendly, enabling less reliance on technical experts.

  - Costs have also come down.

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Uses for Big Data

- Applying analytics to big data provides opportunities for the accounting profession to help the business to transform decision-making.

    - The use of big data and analytics must be appropriate and subject to robust scrutiny, ethical and governance models to ensure sufficiency sufficient transparency and to encourage confidence in its use.

- Accountants have opportunities to use various sources of data:

    - Can improve forecasting or link non-financial/financial data for better analysis of cost drivers.

    - Can assist with detailed analysis of controls and operational processes.

    - These tools can be used by accountants in advisory roles, to help businesses with their business planning or operations.

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POLLING QUESTION

What topic would you like to learn more about for the next Lunch and Learn?

A. Need for IT literacy in the accounting field

B. Impact of Economic unrest for risk management and accounting

C. Forensic accounting processes

Processes for Automation

Evolution of Accounting Process Automation

Current account principles are rule based and automation is an enabler.

- Branches of accounting processes can be automated where there is a need to capture, categorize and chronologically allocate data.

- **Which Accounting Divisions are quickly automated?**

- **Accounts Payable** — Automation can result in:

  - Cost saving from manual and repetitive tasks

  - Mitigation of data entry errors

  - Check and control of duplicate invoices

  - Ease integration with the enterprise ERPs

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Evolution of Accounting Process Automation *(cont'd)*

- **AR** — The legacy AR process is cumbersome. Automation can facilitate:
  - Accurate preparation and scheduled delivery of Invoices
  - Coordinating with sales and supply to schedule payment collection
  - Avoidance of erroneous invoice raising and other data entry issues
  - Ensure liquidity and prompt cash flows to the enterprise arteries

- **Payroll** — Payroll processing must be highly accurate, time bound and confidential. Accounting RPA bot deployment takes care of payroll through:
  - Easier, simpler, and accurate wage calculation
  - Ensure compliance with the government norms in taxation and filing
  - Helping payroll team in entering employees' data with accuracy

Steps Towards Automation

- **Process standardization**

  - Determine need to automate current processes with present workflow with mild alterations or consider revamping the entire workflow.

  - Deployment team needs full orientation of the business cycle to addresses all the fault lines before starting the process.

- **Prioritize accounting processes for automation. Consider:**

  - Repetitive and standardized items

  - Areas prone to human error

  - Recurring cost area

Steps Towards Automation *(cont'd)*

- **Coordinate with the operational and IT teams**

    - Challenges must be coordinated with the operational and IT teams to facilitate navigating automation issues and ensure a smooth transition.

- **Engage employees**

    - Involve employees and seek their opinions during conceptual, design and automation implementation.

        - Alters employees thought robots are taking my job.

    - Have a roadmap for the entire automation process

Risks

Risks

Businesses must be aware of the risks of automation.

- **Potential Fraud**
  - Increased hacker opportunity.
- **Technical Issues**
  - Computer viruses.
  - Users incorrectly performing software tasks they are not familiar with.
- **Incorrect Information**
  - Records are only as good as the data put into the system.
  - Business owners that don't take time to establish account categories properly may enter data and generate reports that are not accurate.

Cloud based-technologies

- Firms and their clients need to be aware of the risks of technologies.

- RPA, blockchain, digital assets, or AI, emerging technologies hold benefits across the financial reporting supply chain and even ESG landscape however, they also come with risk

  - Understanding and mitigating those risks and will generate LT value.

    - Risks including upskilling talent, understanding evolving environment and structure and planning for costs.

  - Emerging technologies must have risk/governance structures to help organizations mitigate risks.

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POLLING QUESTION

Do you currently subscribe to an accounting research service?

A. Yes, I have a subscription to CCH Accounting Research Manager

B. Yes, I subscribe to another research service

C. No, I do not have a subscription to an accounting research service

Matt Seegmiller

Matt Seegmiller is a Sales and Business Development Manager for CCH® Accounting Research Manager® at Wolters Kluwer. He works with both CPA firms and Corporations sharing best practices to ensure they are utilizing CCH Accounting Research Manager to its fullest.

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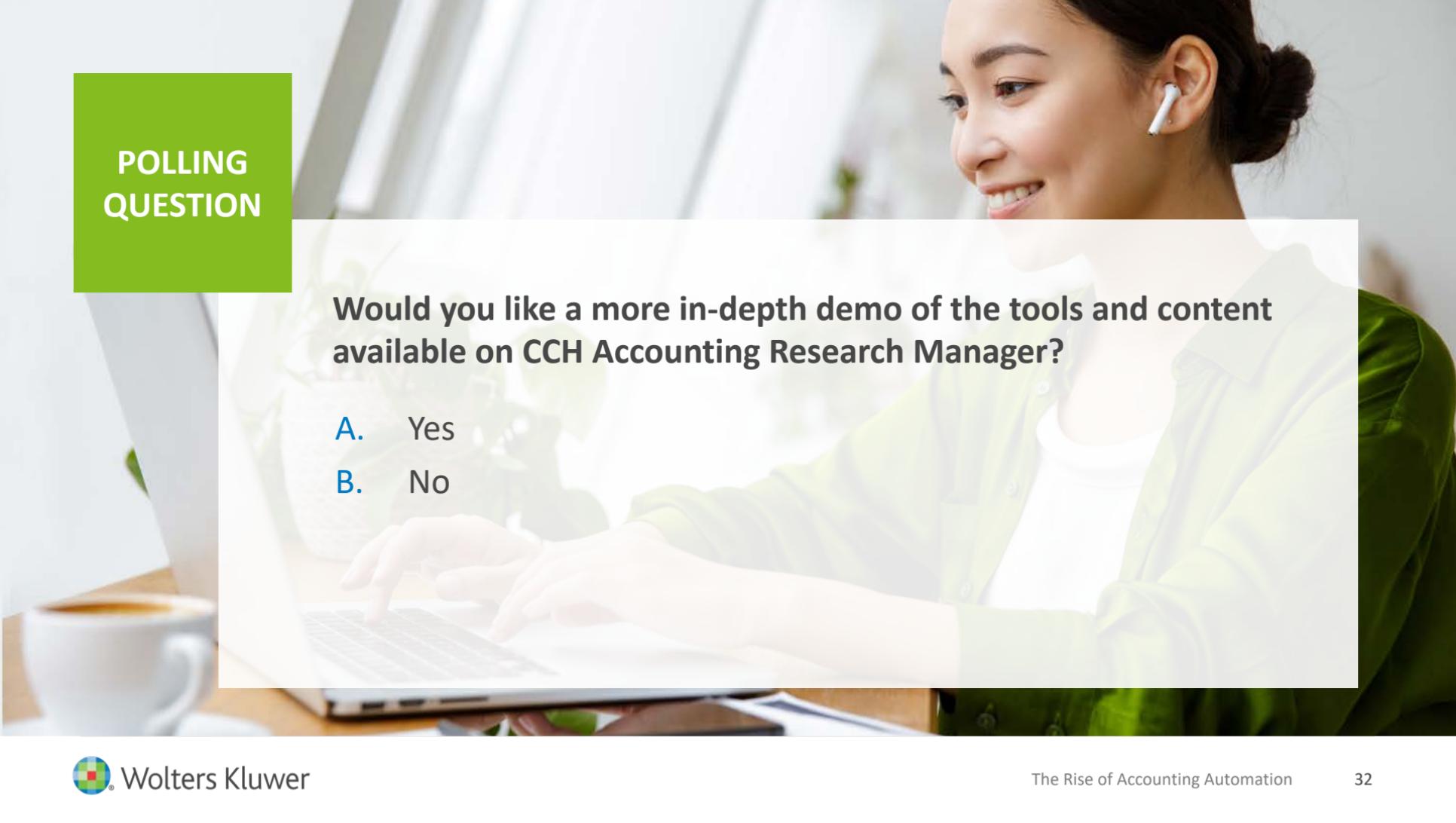
POLLING QUESTION

Would you like a more in-depth demo of the tools and content available on CCH Accounting Research Manager?

A.   Yes

B.   No

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The Rise of Accounting Automation

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