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An AI Guide for Accounting Firms –
Efficiency, Compliance and Ethics

Leveraging Gen AI in audit and accounting

Ever since ChatGPT was introduced late in 2022, generative AI (Gen AI) has captured the imagination of businesses around the world. Research and consulting firm Gartner predicts that, by 2026, more than 80 percent of enterprises will have used Gen AI APIs or models and/or put Gen AI-enabled applications to work in production environments. That's compared with less than 5 percent that had taken either of these steps in 2023.

The term artificial intelligence refers to tools that can take on tasks that traditionally have required human intelligence. Tools that fall under the AI umbrella can integrate information and take on set tasks based on established rules and algorithms. Gen AI—a subset of AI—goes one step further. Using large language models (LLMs) that have been trained on vast amounts of relevant data, it can create new tools and content based on the information in its database.

Accounting and audit firms have embraced Gen AI, recognizing the opportunities it offers for greater effectiveness, cost efficiency and practice innovations. Gen AI can be a particularly valuable

resource for these firms, since it offers myriad opportunities to make better use of professionals' time and enhance engagement quality. In deploying Gen AI, critical goals for firms should include:

- Harnessing the power of Gen AI with a system that meets their specific needs.
- Protecting the security of firm and client data.
- Maintaining the human touch. In an audit and accounting context, Gen AI should not be designed to replace humans, but rather to help them do their jobs better.

This guide examines how safe, purpose-built Gen AI can enhance audit performance and transform accounting practices while addressing critical compliance and ethical considerations. It also looks ahead to what firms need to know about the future of work using Gen AI tools.

Finance leaders seek auditors with tech capabilities

According to BDO research, 64 percent of surveyed companies say that before engaging with an audit firm they consider its use of AI to enhance audit quality. Senior finance leaders cite use of new or advanced technologies as the second-most important factor in selecting an auditor, after effectiveness and a proven track record but ahead of industry knowledge. Other findings include:

84% expect audit quality to improve with increased use of audit technology.

63% said their trust in auditors is somewhat or significantly enhanced for them and their key stakeholders when auditors use advanced technology.

61% plan to address talent shortages by adopting advanced tech such as AI to improve workforce efficiencies.

Source: **2024 BDO Audit Innovation Survey**

Driving greater efficiency

Efficiency is a key contributor to a higher-quality audit because it enables auditors to step away from routine tasks and concentrate on the most critical concerns. Gen AI helps audit firms reap efficiency benefits by allowing them to:

Streamline tedious, time-consuming work and operational practices.

AI can streamline repetitive tasks such as report generation and data entry. Gen AI tools can summarize lengthy materials, such as lease documents, to provide thorough synopses, highlight key issues and provide instant answers to questions.
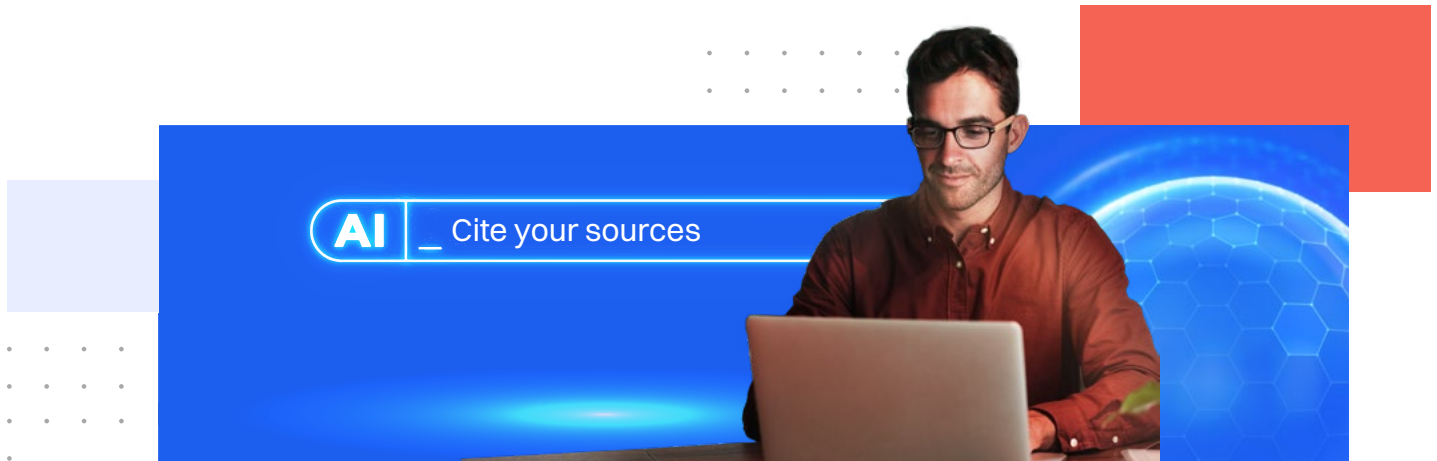
Key benefits:
- The ability to better equip firm professionals with enhanced workflow efficiency. Professionals can work more productively, collaborate more effectively and gain more meaningful insights.
- Manageable audit planning and scoping. A more refined and accurate understanding of engagement needs can lead to more effective scheduling and staffing.
- Identify key points in data and documents sooner. Ideally, engagement-specific Gen AI responses should meet the audit team's unique needs and provide answers linked to a specific page or topic in the original source.

- Performing reconciliation tasks and spotting discrepancies along the way, which allows for a timelier response.
- Providing the best models for each use case. For instance, firms can choose whether they want to use a Gen AI model that delivers a response quickly, or a model that takes more time to deliver a precise, comprehensive result.

> Audit firms may find that their clients are exploring Gen AI or considering doing so. According to the AICPA & CIMA 4Q 2024 Economic Outlook Survey, 30% of business executives were experimenting with Gen AI in business applications, up from 23% a year ago. While another 38% were not considering Gen AI use, that was down from 56% last year. In a Deloitte study, 67% of respondents (including directors to C-suite leaders) said they are boosting investments in Gen AI given the strong value they have seen to date. A total of 42% cited improved efficiency and productivity and cost reduction as their single most important benefit achieved from Gen AI initiatives.

Purpose-built for compliance

Advanced research capabilities give audit teams a competitive advantage and ensure that they comply with all professional mandates. When selecting a Gen AI solution, firms should prioritize those that offer continuous updates and enhancements. This ensures they stay ahead of evolving compliance requirements and leverage the latest technological advancements. While Gen AI can't replace human judgment in an audit, it can enhance professionals' capabilities and offer quick access to a wealth of knowledge about the audit profession and its standards, based on how its models are trained. Audit teams are more easily and reliably able to identify and mitigate audit risks, enhancing audit quality and integrity.

To best harness the benefits of Gen AI, systems should not be generic. Instead, they should be fit for purpose, with a specific focus on audit and accounting tasks and standards that are most relevant to the audit team's work. Sophisticated Gen AI systems can quickly retrieve and summarize guidance, providing citations and links, to ensure verifiable accuracy. They should make it easy to copy responses so that the user can determine what should be stored in the firm's secure engagement data.

Balancing automation with oversight

In a recent **AICPA & CIMA Economic Outlook Survey**, 67 percent of business executives said they were significantly or moderately concerned about privacy, ethical and accuracy-related risk related to the use of Gen AI tools.

To minimize risk, audit firms should seek technology with strong safeguards that address common threats and provide complete peace of mind. That means:

- Putting privacy, confidentiality and security first. Since safety is paramount when using Gen AI in auditing, users should look for bank-level security (SOC 2 compliance). Unfortunately, most AI tools don't meet the rigorous standards that audit and accounting firms expect. A major drawback of some public Gen AI systems is a failure to protect sensitive client or firm data. There is a threat that this data will be revealed because information fed into the system is retained and used in additional content that the system generates. To maintain the highest standards of security and compliance, firms should look for purpose-built systems that don't retain data or prompts or feed
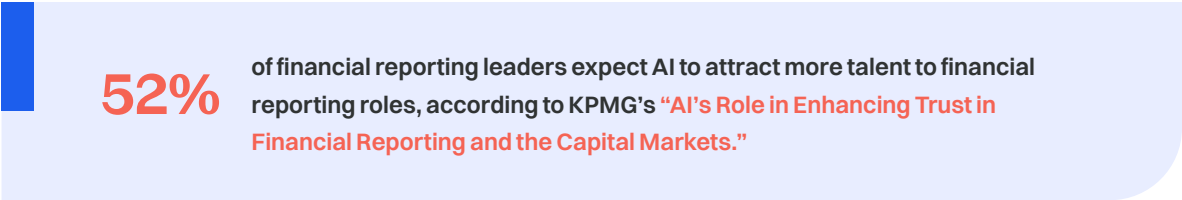
them back into the underlying training model. An example of this is Caseware's AiDA AI-powered digital assistant. The Holistic AI Governance Platform, the leading AI governance platform for the enterprise, assigned Caseware AiDA a low-risk rating. This rating means Caseware has taken sufficient steps to mitigate key transparency, efficacy, robustness and privacy risks often found in Gen AI models through significant qualitative and quantitative testing.
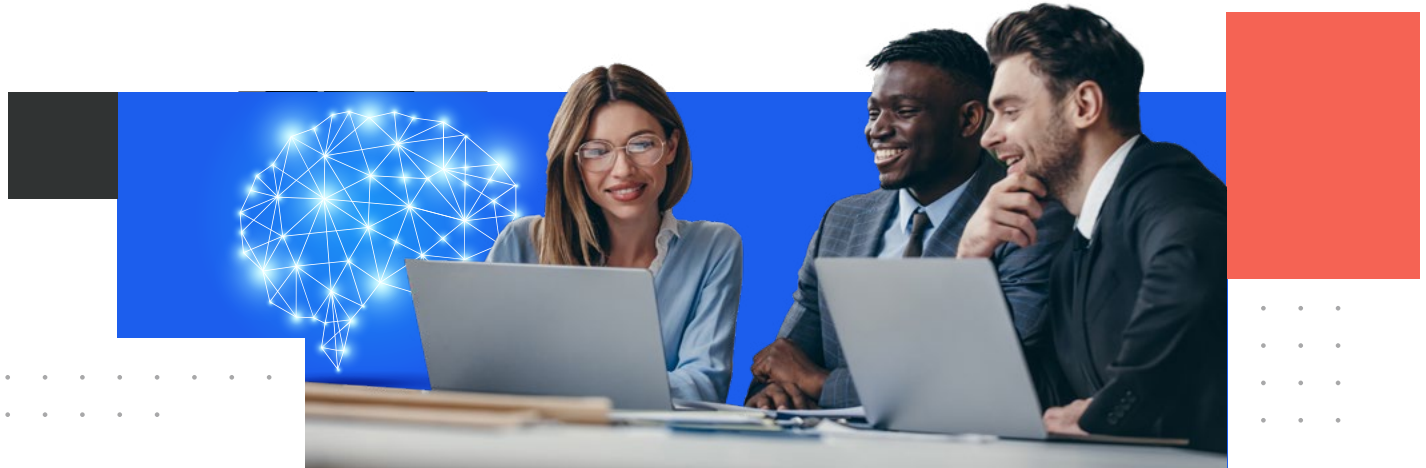
- Respecting the importance of professional judgment. Gen AI should be a powerful and multifaceted assistant, not a co-pilot. According to the **BDO Audit Innovation Survey**, when working with advanced technologies, "the importance of human judgment cannot be overlooked." BDO found that companies recognize the importance of working with experienced audit professionals. Auditors and accountants should remember that Gen AI should deliver the information and insights that auditors need to apply professional judgment, but it can't put that information in context.

Gen AI output should always be double checked to verify accuracy. "It is professional skepticism, training, and a firm's commitment to quality, combined with technology, that will improve audit quality — now and in the future," according to BDO.

Because Gen AI is not perfect and has certain limitations, human expertise is needed to interpret and validate its insights. Gen AI can provide biased or incomplete results, for example. It also lacks a professional's thorough and nuanced understanding of a particular engagement or client situation.

A Gen AI system should be transparent, allowing firms to ask for references and citations to back up the system's findings and to follow Gen AI's decision-making process.

52% of financial reporting leaders expect AI to attract more talent to financial reporting roles, according to KPMG's **"AI's Role in Enhancing Trust in Financial Reporting and the Capital Markets."**

The future of work

Meaningful changes in productivity and efficiency can drive greater innovation and collaboration across the firm.

Among other things, as audit and accounting firms implement Gen AI, they will find that it can have a considerable impact on training staff. Gen AI that is built to understand audit practice and methodologies can clarify complex concepts for new accountants and explain how to use industry standards and regulatory requirements. Staff members will become far more productive as they learn how to write effective Gen AI prompts that are informed by traditional accounting expertise but can also tease out desired information or content. For example, one popular approach to prompt engineering is the STAR Methodology, which focuses on:

At the same time, firms will have to consider how best to upskill their teams for the opportunities that AI will open for them. New roles and responsibilities may include verifying data accuracy, ensuring compliance and addressing exceptions, as well as interpreting financial data and supporting decision-making. With some routine tasks being handled by AI, new auditors will also be expected to focus more on strategic planning and critical thinking, but they may need some guidance to build these skills and put them to work.

S **Situation,** or telling Gen AI the specific scenario to be addressed, including the user's role, goal and which accounting standards to follow.

T **Task,** or a precise explanation of what the Gen AI is being asked.

A **Appearance,** or what the output should look like in terms of tone, response length or format (such as a table or chart).

R **Refine,** or update the original prompt to get a response that meets exact needs.

Work smarter, not harder

The benefits and challenges of Gen AI can be expected to drive significant changes in work and the workforce. Gen AI allows audit and accounting firms to achieve more with less effort, enabling them to take on a greater strategic and advisory role with clients. The best Gen AI choice allows firms to position themselves for the future and stay ahead of new developments. With the right tools and strategies, the future of auditing is not just smarter but also more human-centric, empowering professionals to excel in a rapidly evolving landscape.

As the shape of work changes, firms will need to seek out and adopt technologies that can help them thrive in an evolving environment. The synergy between strategic oversight and context from the firm's professionals and the valuable input and information that Gen AI can offer can completely transform how firms work.

Caseware AiDA is a Gen AI digital assistant built specifically to help firms tackle unique audit and accounting challenges. It understands the nuances of auditing and fits easily into existing workflows, improving efficiency and quality. Caseware AiDA does not retain prompts or feed them back into its language model, ensuring the highest standards of data security and compliance are met. Discover how Caseware AiDA can enhance your practice by scheduling a free demo today.

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