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The AI issue(s)

Are accounting practices preparing for automation 2.0...
or something much, much bigger?

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Should you use AI in accounting?

We look at the current state of play for artificial intelligence within the accountancy sector.



IN TODAY'S WORLD, it is no longer an option to overlook the rise of AI in accounting and the mounting capabilities of automated technology and cloud-based software.

With our [Accounting Talent Index](#) also revealing chronic staff shortages within the accountancy profession, with almost one in two (45%) of firms being “severely” or “significantly” affected by skills shortages, more and more of them will likely be turning to automated solutions to bridge the gap and maintain outputs and productivity.

We are seeing rising numbers of accounting professionals embrace the opportunities AI can bring to the industry. Insights from the Thomson Reuters Institute's [2024 Generative AI in Professional Services](#) report found that almost one in four (23%) of respondents were already using or open to using GenAI tools, while 30% of tax and accounting firms are in the “consideration” phase.





The question we need to consider is the extent to which of the benefits are real, or merely hype from a tech industry anxious to sell its shiny new AI toys.

HOW TO USE AI IN ACCOUNTING

The fact is that AI has been used in accounting for many years. Tools like Dext and AutoEntry have been using it to code data from receipts and invoices. Xero has been using it for streamlining bank reconciliations. Robotic Process Automation tools have been used to move data from one system to another. The productivity improvements from these

have certainly delivered the benefits of AI in accounting to any firm using these technologies. The question is, how else can we use AI in accounting?

To date, the main space we are seeing our customers benefit from AI in is in communication. Many are using tools that transcribe meetings alongside tools that summarise transcriptions to generate minutes. Some are using GenAI to compose routine emails to, for example, chase clients for missing information. There is a very clear productivity improvement from using AI in this

way; however, these are incremental changes that will likely fall foul of the time-based billing models still widely prevalent in the accounting industry.

We have also seen many firms using AI during audits, using tools like Inflo and CaseWare Audit. The audit partners we have spoken to suggest that the use of AI is only adding to the expectations of audit with no commensurate increase in the fees chargeable.

The third area we are beginning to see use of AI is in generation of insights about accounting data. Xero's AI strategy mentions this as an explicit target, and we expect other vendors to follow suit.

All of these are incremental improvements to accounting productivity due to AI – not the obliteration of the accounting profession that many outside the profession are predicting. Our view is that these outsiders do not know the industry very well.

CAN AI DO ACCOUNTING?

So, can AI do accounting? For the most part, the preparation of a set of accounts can be automated if the books are accurate. We are still years away from bookkeeping processes



“If we define accounting as merely the preparation of a set of accounts, the answer is yes, AI can do accounting, but not yet.”

being fully automated; for that to happen AI tools need context. For example, how would an AI tool know if a restaurant receipt was travel or entertainment without some input from a person? Beyond that, there are a considerable number of business owners who do not yet use cloud accounting software and still use a lot of paper receipts – it will take many years for this transition to conclude.

So, if we define accounting as merely the preparation of a set of accounts, the answer is yes, AI can do accounting, but not yet. However, that is a very narrow definition of the role of a professional accountant.

WHAT ARE THE BENEFITS OF USING AI IN ACCOUNTING?

AI in accounting is a complex topic and one that will evolve over time. From our

perspective, there are three main benefits of using AI in accounting:

- **Boost productivity** – use of AI tools can certainly improve productivity and reduce time spent on mundane tasks.
- **Trusted advisor** – the ability for you to have conversations with your clients about how they can use AI in their businesses and how you, as a professional accountant, can help them ensure their finance processes are robust.
- **Demonstrate that accounting is an exciting place to work** – who would not agree that an industry at the leading edge of managing the impact of AI in business and being a trusted advisor to small and growing businesses using AI is not an exciting job.

Advancetrack can support the transition from where you are as a firm now to being focused on assurance and advisory. You could consider our [team-based podsourcing® solution](#), which seamlessly integrates skilled offshore professionals into your practice while you focus on services that add more value to your firm and help mitigate problems attracting talent. Of course, we at Advancetrack are looking at how AI can be used in our business and how we can support our customers in a future with considerable use of AI in accounting. ■



The advertisement features a dark blue background with glowing blue coins. One prominent coin has the word "AUDIT" on it. At the top left, the Advancetrack logo (a green star) and name are displayed. Below the coins, the text "Audit Support Services" is written in large, bold, white letters. Underneath, a message in white text says: "Firms looking to manage their audit resource this coming season, get in touch for quality staff on an Outsourced or Offshored basis". A dark blue button with white text says "Click here for more". At the bottom, there are several logos: ICAEW Chartered Accountants, bci (Business Continuity Institute), a row of smaller circular icons representing various services, Xero, and Certified Advisor. The website address "www.advancetrack.com" is at the bottom in white.

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The 'right to switch off': a turn-off for practices?

As the UK government looks to introduce further rights and protections around work, accountancy practices must be laser-guided about understanding who they work for, what their needs are, and providing the appropriate level of service, suggests Vipul Sheth.

A NEW LAW HAS been implemented in Australia, enabling workers to protect their right to 'switch off' from their workplace. The UK government is considering a similar rule alongside a raft of other worker-friendly legislation.

Should business owners – particularly those leading accounting practices – be worried? Delighted? Non-plussed? Unconcerned? Well, it's not a move I'm particularly enamoured with.

Working practices shifted back to the 1950s is not what I'm after, and workers certainly have the right to not be exploited. However, a 'switch-off law' requires very careful

implementation. And, ultimately, I don't think working policies will require any kind of wholesale change – if any.

WHO DO YOU WORK FOR?

In all of this, we mustn't forget that businesses need to serve their customers. That's the same for an accounting practice as it is a supermarket.

Shops operate to serve a variety of purposes: breadth of choice; quality; convenience and so on. However, an accountancy practice will have a much closer (and generally exclusive) relationship with their clients.

And these clients aren't looking for a litre



Matthew McBrayer on Unsplash

of milk at 11pm. Some will require a 'basic' compliance service, but even then, most would at least hope that if something untoward happens then their accountant can come to the rescue – and in good time.

If you shut up shop on a Friday, or there are long periods when a client is unable to contact anyone at your practice, then are you comfortable with that?



A CLIENT-FIRST APPROACH

The answer has to be a smartly run operation. One where you can cover all the bases; where people can 'switch off' when required but might be called upon in case of emergency.

Understanding what is reasonable, and when, is of course crucial.

Without delving too deep into the Vipul life story, there were periods in my professional accountancy career prior to Advancetrack where my 'time' was managed in different ways. While studying for my accountancy exams it was important I finished work at a certain time so that I could then focus on studying in the evening.

After I qualified as a chartered accountant I then put in some serious hours – these weren't necessarily prescribed, but I wanted to demonstrate my skills and commitment to supporting the firm's clients. During this period, I was promoted several times over three years.

MEETING THE CHALLENGE

I'm not a believer in 'presenteeism', but if you're given challenging work, does that mean you don't do it because you have a 'right to



switch off'? What if the client doesn't get what they need? Nobody forced me to do it, but first thing on Monday until Thursday (anytime!)... and on Friday at 5.30pm I'd be out the door because I felt I'd worked hard – you wouldn't see me for dust until Monday morning.

We talk about the UK's productivity needing big improvement; if it can be improved by having four-day weeks and a 'switch-off law', then great... but I'm not convinced.

Accountancy practices, for all the technical

skills borne of accountancy and tax legislation requirements, are still people businesses.

BEING 'PRESENT'

Can you help a client in their hour of need; when their overdraft facility is cut, or they face foreclosure? Accountants are engaged at a human level; something that says between the client and the firm's people that we like you enough to work with you – so you must be available in that hour of need.

An accounting practice needs a strong mission statement, strategy, operations and of course people. If everyone understands the firm's direction of travel and their roles within that, then a 'switch-off law' would only be needed on rare occasions.

As for Advancetrack, we're about creating time, to allow accountants to spend more time their clients face-to-face. Processing and producing analytical data can be outsourced and needs to eat up as little of your time and resource as possible. The human touch can't be outsourced. ■



Vipul Sheth is founder and managing director of Advancetrack



Practices polarised

As AI and automation collide with dwindling numbers of accountancy students, will only 'robotic' accountancy practices survive? Vipul Sheth discusses the options.



IS THE MAKEUP OF the 'accountancy practice of the near future' one that is so automated that it doesn't have, or need, people to run it?

Without wishing to spoil the thread (or punchline) of this particular blog, my belief is 'no'. However, there are a number of interesting nuances around what seems a quite straightforward question, and they require some consideration.

STUDENTS AND SKILLSETS

Firstly, some stats for context. The inaugural [Advancetrack Accounting Talent Index](#) revealed that, globally, the number of accounting students is falling. And capacity for the existing accountants is very tight. India is still pumping out plenty of accountants, but it is a big ask to expect one country to support a global capacity problem.

However, with AI and automation abound, do we really need the same number of

accountants coming through anyway? Again, there isn't a straightforward or binary answer to this question. And a new set of stats illustrates the complexity.

[Joint research by Sage, Demos and the ACCA](#) shows that AI-enabled practices expect to hire many more employees than practices that don't see AI as a driver for their organisation (looking to bring in 20% more people over the next three years).

But nearly two-thirds of respondents fear that a lack of AI skills in their workforce will hold their practice back, with only 16% stating they are well prepared.

ISSUES SUMMARISED

These key stats from both pieces of research go some distance in encapsulating myriad issues practices face, which I'll attempt to summarise as:

- clients are more demanding than ever – in terms of speed of work, quality and breadth of service;
- high-growth practices want to increase recruitment;
- generally, practices are struggling to recruit FTEs – be they accountants or people with different skillsets;



“There is a big question mark around the structure and content of the major accountancy syllabuses. For instance, are accountancy qualifications fit for the future?”

- leaders don't have time to consider strategy or planning; so
- modernising the practice becomes difficult to do.

The push to automate practices comes from increasing complexity of client work in tandem with recruitment problems. We're also seeing that, as clients require different services (more

digitised, real-time and analytical), then that exacerbates the recruitment issues... 'We need different people, who are they and what is it that we need them to do?'

For all the talk of automation, AI and digitisation, it seems that practices' clients more than ever want a value-added and hand-holding service from practitioners – with the grunt work of compliance done quickly and with as little fuss as possible. For me, this is the reason that we will need people to run a practice; to manage systems, evaluate and verify outputs and, of course, advise clients.

POLARISATION POTENTIAL

A word of warning. I fear there could be a polarisation within the accountancy practice market. For as many firms we see that are struggling to manage their resources, the ones that we are working with are growing... and not just through the use of Advancetrack's

services to manage resources – they are growing revenues, profits and headcount.

Now, whether their new recruits are all qualified accountants is another matter entirely. And there is a big question mark around the structure and content of the major accountancy syllabuses. For instance, are accountancy qualifications fit for the future?

There is a lot of change ahead – but the practices we work with are building and planning to be profitable and sustainable. In doing so, they are able to automate, build tech-enabled offerings, and impress accountants (and others) to join them. My fear is that those practices which don't keep up will lead to a polarisation of haves and have-nots. ■



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