Foresight: The CPA Podcast

Season 6 Episode 6: The CPAs Role in Certifying the Digital World of AI

Neil Morrison: Welcome to Foresight, the CPA podcast. I'm Neil Morrison. You know, when we talk about AI, it's so easy to get caught up in the range of new tools and their incredible capacities. I mean, Chat GPT is still startling. Just the other day, I engaged in this deep philosophical debate with it, which I think I won, but it challenged me way more than I would have expected, more than some people I know. To be honest, this season, we've fallen under the spell of these new AI applications. We've explored how they have the power to transform the role of the CFO, the economy, and some of the day-to-day tasks of the CPA. And, these are big topics with huge implications. But believe it or not, they only skip along the surface of what AI could mean for CPAs. For the role accountants play in society. It's possible to imagine the profession's function expanding far beyond finance, beyond tax, beyond sustainability reporting. The truth is, things could get very interesting. Simon Dermarkar invests a lot of his time mapping out how this new reality might unfold. Simon is an associate professor of accounting at HEC Montreal. He's designed a course called Audit and Big Data. It probes the infrastructure that undergirds the AI revolution, that is the endless stream of data. And as Simon says, "Data is the fuel of AI." And if we expand that metaphor a bit, dirty fuel destroys engines. And the same thing applies to faulty data and AI. Now, Simon imagines a world where CPAs certify the quality of the fuel that's feeding AI. Sound interesting? Well, you're not alone in thinking that. Four years in, Simon's course is very popular.

Simon Dermarkar: It's always been to its full capacity. And we're wondering about the space it should be taking in our accounting programs. And we're looking into the possibility of opening up another group eventually and diversifying as well the types of courses that should be tackling those subjects related to the digital transformation.

Neil Morrison: So it's beyond capacity?

Simon Dermarkar: Yes, it is. And, I'm happy to say that because I created that course.

Neil Morrison: Yeah, that feels good.

Simon Dermarkar: Of course.

Neil Morrison: What do you think students are looking for in this class? It's very popular. So what are they looking for?

Simon Dermarkar: That's a tough one, Neil. They obviously see something interesting in the digital era. They see that it's important. They hear about it when they go to recruitment events with the big four and other types of organizations. They sense that it's essential. What exactly they're looking for? That's another question. In the sense that, are we offering them exactly what they need? I hope we are. And if I can summarize in one thought, the main goal of this course

is to make them more aware of the importance of data. And so I try to take them in different paths, where we explore data in society, the dangers related to consuming too much data, or not being aware of how much data we generate. But we go more specifically, obviously, in data and organizations, data in the accounting world, data in specifically the auditing world. And what I try to expose to them is that we are only at the beginning of the process of actually harnessing, mastering, understanding data. And there's two ways I try to propose to them the accounting profession is evolving. First, the easy grab, the low hanging fruit would be changing how we do our work by using new technologies.

Neil Morrison: So using, whether it's Mindbridge or Alteryx or things like that, like the actual use of the particular software packages, right?

Simon Dermarkar: Exactly. Keeping our tasks as traditionally oriented as they were, according to the current regulation and standards, we're trying to inject new technologies to enhance our productivity. And so that makes a lot of sense, obviously. But beyond that, accountants have a specific skill set related to internal controls. Accountants are experts in the way processes are set up. They become experts in assessing risks related to these processes, and they become experts in auditing these processes. With this type of knowledge, accountants should be positioned as key players in how we can imagine the future of data.

Neil Morrison: Because they have the skills, the training to apply to the world of data, what they have applied to the world of finance for a very long time. The verification, the assessing. In the past, we didn't call it data, but that's essentially what it was, is who is delivering this? What are the controls? What are the systems that brought this forward? That's what they do. So applying this to a different form of data is not a huge stretch for the profession in some ways.

Simon Dermarkar: Exactly, Neil. And in my mind, it's not a huge stretch in terms of the skill sets accountants hold, but it's a huge transformation in how CPAs should be positioned in the whole fourth industrial revolution we're talking of, which is accompanied by AI, data analytics, automation of processes, and so on. And so this is changing, not how we do our work. It's changing the actual nature of our work. The object of our work has often been seen as strictly financial reporting and financial auditing. However, our skill set goes way beyond and should progressively be implemented in the non-financial disclosures that are gaining so much traction in our society. Whether it be environmental disclosures that are becoming more and more important, which will eventually have to be audited. I think auditors, professional CPAs, should have a leadership in how these new trends in society will be institutionalized. And at the basis of whether it being financial information or environmental information, we have data. We are more and more oriented in a digital age where we are not looking to accumulate new types of information that do not have a digital trace. And so, having that in mind, auditors should be able to help organizations and to help society structure its way of organizing data, of organizing the processes put in place, the flows of the data within the organizations, and its governance. And if we can help with that, well, we can become auditors of data.

Neil Morrison: It sounds like you're imagining, I might be going too far with this but humor me for a second, it sounds like you're saying that CPAs can become the auditors of the information economy. So, beyond finance, beyond environmental, anywhere where there is a flow of information that people want to know that it's reliable and true, that CPAs could be the ones who verify whether that's the case.

Simon Dermarkar: Public accountants, CPAs who are auditors have been doing that since they were organized and established as a profession. Expanding their array of operations just makes natural sense in terms of them holding the expertise required to handle such an assurance-giving process to the public or to whomever is interested in such an assurance. Data is the fuel of AI, as it is for data analytics, and most of the aspects related to the fourth industrial revolution have data at the heart of it. The adage "garbage in, garbage out" has become important more than ever in being able to assure that the data that is input in models, algorithmic models, machine learning models, is quality data. Ensuring this quality data will have an enormous effect on how we are able to give an authority to the outputs given by those technological systems. And once we're able to have good confidence in the data that's input in our different systems, auditing the actual systems will just be a natural extension of the auditor's work. Looking at the algorithms set up, looking at the models put in place, looking at the smart contracts that are being brought to different processes of organizations, these would just make sense as an additional layer. So what I find is the most important learning achievement of the course we were talking about is going back to data, is being aware of the importance of data, and how, if we are able to better master the intricacies, the risks associated with data and organizations, we will be able to fulfill a much more important role in society.

Neil Morrison: You mentioned that this is really just applying the traditional skill set of CPAs and just expanding the data set that it's looking at. Ultimately, that's what we're talking about. But this is now a digital data set being put through, as you said, through algorithms, through complex computer systems. So do the new CPAs, do they need to understand something about computer science itself? Does the new CPA need to have a minor in computer science to be able to take on this role that you're describing?

Simon Dermarkar: That's an excellent question, Neil. I have a feeling my five, three, and one-year-old children, no matter the field they will choose for their eventual careers, will have to grasp somewhat of the data science world. It will become essential to everyone in the same way financial knowledge has become essential for everybody in society. I often use the expression, it's not necessarily knowing how to do those data science tasks, rather than being aware of the existence of those tasks. And by being aware of how we break down the work of data scientists between data engineers, data analysts, data scientists, and machine learning experts, we become aware of what type of expertise we need to be working with. We become aware of what type of alliances we have to put forward in the realization of our professional duty. That is my mindset a bit.

Neil Morrison: So, I guess, tell me if this is right. It sounds a bit lik,e a CPA is not a CFA, a CPA is not an economist. But as a CPA in a large organization, your role would be to ensure the information that's being used there, for those two separate professions, you kind of have to understand how it's using that information to be able to verify it. So, again, it's something that they have been doing, already, again, just applied to a new profession.

Simon Dermarkar: Exactly, Neil. It's not new that professional accountants giving assurance with regards to whatever type of information a stakeholder may be interested in has to collaborate with experts of other domains. May it be lawyers, actuaries, professional valuators, financial valuators, or IT specialists. They've always had to set up the appropriate team in order for them, in the end, to be able to give an opinion, offering assurance to the interested parties. And so this is how I see it's a natural continuation of their expertise to a wider array of society. However, regulation and standard setting has to be part of it.

Neil Morrison: What do you mean by that?

Simon Dermarkar: So, when I was earlier speaking of how we do our work versus the actual nature of our work. How we do our work with Power BI, with Alteryx, with Python or R, in order to be more efficient, according to the current standards, the current set of regulation encompassing our professional practice. However, in order for CPAs to be able appropriately to contribute to the world of data in a broader sense, well, regulators will have to invite auditors as the designated experts able to give assurance about how data is governed within organizations or any type of structures we're interested in.

Neil Morrison: Do you get the sense that your students are keen to take on this larger role or this expanded role?

Simon Dermarkar: That's a very good question, Neil. I was telling you, we're a bit struggling with what exactly the younger generation is looking for. I have a feeling they are interested, very much, with everything that has to do with sustainability. And what I try to expose to them is that data governance is in a certain way, a sustainability issue. If data is not governed appropriately, personal information held by organizations may be compromised. In the same way, being hacked and leaking data can become the next form of terrorism in our society. And so, in becoming strategic partners of the digital revolution, we are able to contribute to a more sustainable society. And so, to answer your question, yes, I feel they are interested in those topics because they realize the importance they have for the future of our society. However, the path through which they could become, as professional CPAs, real partners of this change has to be reorganized in my thought. The change is profound. It's meaningful. It needs to be coordinated with appropriate change management. It needs to be coordinated with universities. I am the first to say the graduate diploma I'm supervising in professional accounting needs to be transformed profoundly to include various aspects of what we're discussing here today. By doing so, we'd be able to integrate in a more sophisticated manner what we truly believe the potential of the CPA can be.

Neil Morrison: I've really enjoyed this conversation. For a season on AI, I really feel that this has taken a new angle on it, and a new slice, but in many ways it's looked at it from a much more fundamental standpoint. So, yeah, I think it's been super useful. Thank you so much.

Simon Dermarkar: Thank you, Neil. Honestly, I'm honored to participate to this project I find very relevant and essential. So thank you for giving me a chance to be part of your guests, and I'm looking forward to chatting with you again.

Neil Morrison: Simon Dermacher is an associate professor of accounting at HEC Montreal. And that's it for this episode and this season of Foresight, the CPA podcast. It's been a fascinating journey. If you like what you've heard, please give us a five star rating or review wherever you get your podcasts and share it through your networks. Foresight is produced for CPA Canada by Podcraft Productions. And please note, the views expressed by our guests are theirs alone and do not necessarily reflect the views of CPA Canada. Thanks so much for listening. I'm Neil Morrison, and I'll speak with you next season.