Improve Security While Harnessing the Potential of AI

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There's a lot of buzz surrounding AI and for good reason—AI has massive potential to transform the entire professional services industry. We are just now scratching the surface of what AI can do for auditing.

For instance, AI can help auditors stay up-to-date and compliant with regulatory change. This is especially important as government agencies are increasingly holding auditors legally accountable for errors in earnings statements and other financial reporting. If a business fails and the accounting firm should have caught the problems, the firm and its partners who signed off on the audit face reputational risk.

There's also the potential of heavy fines from the U.S. Securities and Exchange Commission (SEC) hanging over firms' heads.

Paul Walker, EMEA Solutions Director at iManage, a cloud-native document and email management enterprise platform, warns, "Auditing errors are quite destructive and career ending."

Another opportunity for AI is to complete auditing, tax, and advisory projects more quickly and at a lower cost. With fewer accountants entering the industry, current accountant workloads are increasing. It's difficult to maintain high performance standards when auditing professionals are burned out and overworked.

This white paper explores how accounting firms can leverage the power of AI in auditing to securely manage content, work more efficiently, decrease risks, and meet regulatory compliance requirements.

Why the lag in AI in auditing?

A recent Gartner survey found that only 12% of accounting firms use gen AI for audit-specific use cases. Almost a third (29%) have not implemented gen AI yet, but intend to do so over the next year and 20% plan to adopt it over the next several years. But 39% say they do not use or plan to use gen AI.[1]

Gartner postulates that accounting firms are holding back on deploying AI until their firm creates a clear AI policy and a proper governance structure to protect data and privacy. At this stage of adoption, firms may be unsure which AI models are most-cost effective and relevant for their audit, tax, and advisory needs.[2]

Part of the hesitation about AI may also be due to little-to-no precedent in how regulators and clients view AI use in accounting. Unlike the legal profession, which has already deflected concerns that AI could taint the discovery process, there's no such precedent in accounting, explains Walker.

[1] https://www.accountingtoday.com/news/few-audit-executives-use-gen-ai-but-more-will-in-the-future-says-gartner-report
[2] https://www.accountingtoday.com/news/few-audit-executives-use-gen-ai-but-more-will-in-the-future-says-gartner-report

For example, in the legal profession, AI bias and hallucinations are typically caught early and rectified. However, in the accounting industry, there is a significant time lag from audit completion and when the business shows signs of financial distress. It could be years before accounting mistakes are discovered, making it difficult to backtrack and determine what went wrong and why.

These concerns mean that most accounting firms are only wiling to experiment with AI in low risk areas and will continue to test and validate AI models before investing heavily in the technology.

Content isn't secure from internal threats

The financial data accounting firms are privy to is attractive to criminals, making every accounting firm–regardless of size–vulnerable to external cyber threats from hacking, phishing, and breaking through firewalls. In fact, cybercriminals often target smaller firms that may not have as many security protections in place as larger firms.

With external threats top of mind, internal content security often receives less attention. For example, an accounting firm advising an organization during an M&A deal likely stores extremely sensitive data about the merger. To protect and manage the content, accounting firms allow access only to those directly involved in the deal.

But that sensitive data may not be as inaccessible as firms think. AI can actually increase security risks because internal staff can now find data that they couldn't find before or even knew existed.

> *"We're excited about iManage AI, particularly around document classification and extracting information to better understand our clients and ensure that key documents are routed to the right places around our practice. iManage is our single source of truth."*
>
> — Daniel Denton,
> IT Director, Menzies

"Accounting firms rely on security by obscurity," explains Walker. "Content was never secure, but firms didn't know it was unsecure because people didn't have an easy way of finding it. AI changes all that. Accounting firms are discovering pockets of data that they couldn't find easily before."

The industry faced a similar challenge with the introduction of search and indexing tools. Overnight, employees could search for a word inside a document, uncovering sensitive data that was previously undiscoverable, such as HR files or partner compensation packages.

Generative AI takes search and indexing to a new level. Employees can pose a question in natural language, absent the exact search terms previously needed, and still receive an accurate response.

Secure content in an AI world

It's not only accounting firms that are concerned about data security: Clients are also leery. For a variety of reasons, clients see no value in allowing their accounting firm to use AI to process their data. Perhaps the client is fearful that AI will let the data out into the wild, similar to the initial worries about storing data in first generation cloud platforms. Or clients fear that AI will use their proprietary data to train its models (it won't; models are already trained).

Accounting firms need a way to address these client concerns and assure them that their sensitive data is protected.

Rather than store data in different repositories that are difficult to manage, iManage stores data in a global repository. Using logical contextual order within the iManage platform, iManage can secure data in a way that both makes sense to the accounting firm and addresses the unique needs of a client.

"iManage doesn't just secure individual documents but uses context to lock down data for client teams at scale," explains Walker. The content can come from anywhere: Word documents, Outlook emails, Microsoft Teams chats, and more are managed in a global repository.

For instance, a multinational accounting firm can meet client requirements to distribute data to multiple geographies, yet store data in a single repository. A client complying with GDPR rules may require that some data is stored in the EU, some data in the UK, some data in the US, and some data in the UAE. Clients can then exclude certain data types from AI processing.

iManage leverages AI to classify data, breaking data into buckets by type of document, such as a due diligence report for an M&A deal or an employee transfer purchase agreement. “iManage understands document types and can vary data retention and security based on document type,” adds Walker.

“We can then scale the security of that micro content,” he says. “iManage can control access across hundreds of thousands of clients and millions of pieces of content.”

Harnessing the power of AI

AI adoption is accelerating as accounting firms search for tools that will make them more efficient, able to comply with ever-changing regulations, and allow them to overcome the industry’s talent shortage.

At the same time, auditing firms can’t ignore data security both internally and externally. They also need to address client concerns about how and where data is managed.

A centralized, global data repository allows firms to get control of and secure data at scale while meeting client needs. The iManage platform with AI provides security protections and meets regulatory requirements while allowing auditing professionals to work faster, smarter, and safer.

About iManage

iManage is dedicated to Making Knowledge Work™. Our cloud-native platform is at the center of the knowledge economy, enabling every organization to work more productively, collaboratively, and securely. Built on more than 20 years of industry experience, iManage helps leading organizations manage documents and emails more efficiently, protect vital information assets, and leverage knowledge to drive better business outcomes. iManage is relied on by more than one million professionals at 4,000 organizations around the world. Visit www.imanage.com to learn more.

Key capabilities of iManage include:

1. **Document management.** Centralizes the storage of documents, making them easily accessible and searchable.
2. **Email management**. Integrates email communications with document management, ensuring all client-related information is consolidated and organized.
3. **Security and compliance.** Security features include encryption, access controls and audit trails to protect sensitive information and ensure regulatory compliance.
4. **Collaboration tools.** Facilitates real-time collaboration among team members, allowing for seamless sharing and editing of documents.
5. **Controlled AI** to enlighten a customer's data and provide greater insights.