



# Rapid Changes IN AUDITING

Business

**AUDIT**

Assessment

Verification

Inspection



# STEVE AUSTIN

Managing Partner





# TOP 5<sup>1/2</sup> HOT TOPICS

**1**

**Artificial Intelligence  
as an Audit Tool**

**2**

**Blockchain/  
Cryptocurrencies  
Technology**

**3**

**The New Tax Act**

**4**

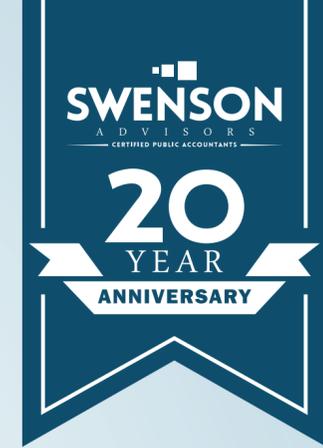
**Lease  
Accounting**

**5**

**Revenue  
Recognition**

**5<sup>1/2</sup>**

***Big Four Split-Up  
(Again?)***



# STATE of the ACCOUNTING PROFESSION & Major Issues Update

## 5 KEY TAKEAWAYS:

1. If there's one word to describe the state of the accounting profession today, it's "speedy."
2. Generation Z will introduce drastic changes to education, recruiting and training.
3. Current CPAs will need to update their skillsets to remain relevant.
4. The future firm hierarchy will be flatter.
5. Cybersecurity attestation will soon be the new audit requirement of the 21st century.



# JOURNAL OF ACCOUNTANCY

## ACCOUNTING PROFESSIONALS SUCCEED ALONGSIDE AI

Concerns these days about the possibility that increased use of artificial intelligence (AI) will lead to job losses among accounting and audit professionals.

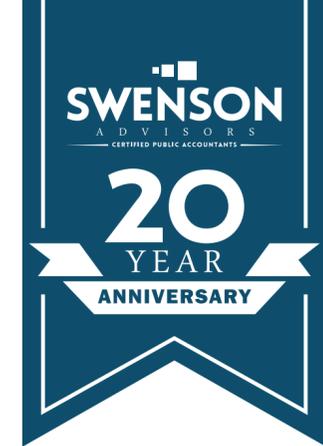
PWC already is working with AI in a few capacities in client engagements. The firm is using an AI platform to help nonaudit clients extract data from their lease agreements as they implement the new lease accounting standards. Without AI, this extraction would take 10 hours to perform for each lease contract, and some clients have thousands of lease contracts. With AI, that time is down to three or four hours per contract, and it's continuing to decline.

Auditors are using AI to draw data out of client bank statements to help with substantive testing that's required for auditing of cash.

- By Ken Tysiac – January 29, 2018

# CPA INSIDER

By Sarah Ovaska-Few

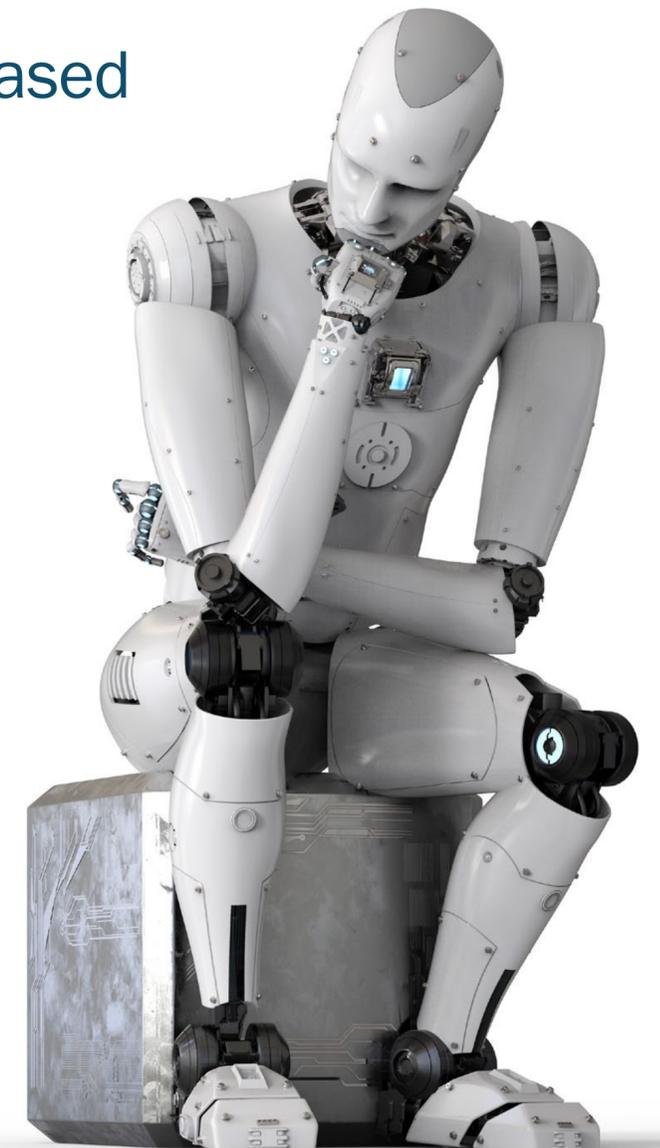


## Artificial Intelligence isn't coming. It's already here.

AI is technology that enables computers to perform decision-based tasks previously left to humans. It shows up in multiple forms, including machine-based learning that can progressively become better at analysis and decisions the more it is used. Speech-based technology that can understand different voices and languages.

At Deloitte, auditors can access AI tools with natural languages processing capabilities to interpret thousands of contacts or deeds, Raphael said. The technology can extract key terms and compile and analyze.

At Crowe Horwarth, a team of 20 data scientists have harnessed technology to tackle complex billing problems in the health care industry.



# WHAT IS A BITCOIN?

Bitcoin is a worldwide cryptocurrency and digital payment system called the first decentralized digital currency. It is a form of virtual currency which was invented by an unknown programmer or a group of programmers.

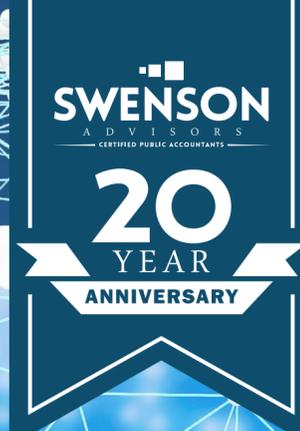
It is a digital currency that is not backed by any country's central bank of government. This means that it is decentralized and has no central authority controlling it.

# WHAT IS A BLOCKCHAIN?

**Blockchain is a continuously growing list of records, called blocks, which are linked and secured using cryptocurrency.**

**Each block generally contains a hash pointer as a link to a previous block, a timestamp and transaction data. A Blockchain can serve an “an open, distributed ledger” that can record transactions between two parties effectively.**

**The data in the blocks, once it has been recorded, cannot be changed retroactively without changing the subsequent blocks and collusion of the network majority.**



# AI HELPS CITIES

## Predict Natural Disasters

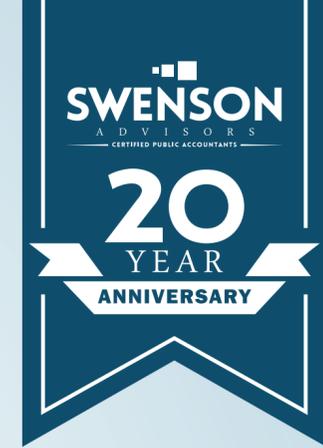
New tools aim to forecast storm and earthquake damage, improving emergency response.

In April 2018, a major storm hit Ontario, bringing torrential rain, an inch of ice and wind gusts up to 60 miles per hour. More than half a million people lost power.

Within four days, Hydro One– Ontario’s largest distribution utility– restored power to its customers’ homes and businesses. By contrast, after a major storm in 2016, it took six days to restore power.

- Wall Street Journal - Wednesday, June 27, 2018





# How AI Can SPOT EXAM CHEATS and RAISE STANDARDS

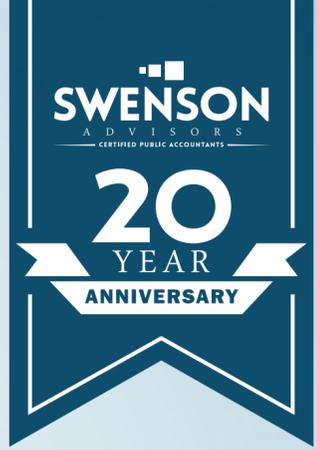
**Technology is helping to fight fraud, improve making systems and teachers.**

*By Andrew Jack*

Every year, the coordinators of the Graduate Management Administration Test reject several dozen applicants for cheating on their exams. The underhand techniques range from stand-ins impersonating candidates nominally taking the test, to the concealment of cameras in coat buttons and glasses. These scan and show questions to remote accomplices, who then supply the correct answer via a concealed earpiece.

“These are very high stakes exams” says Sangeet Chowfla, chief executive of Graduate Management Administration Council (GMAC), which administers the multiple-choice test taken by 250,000 people each year. “There is unfortunately an incentive for people to try to get an unfair advantage.”

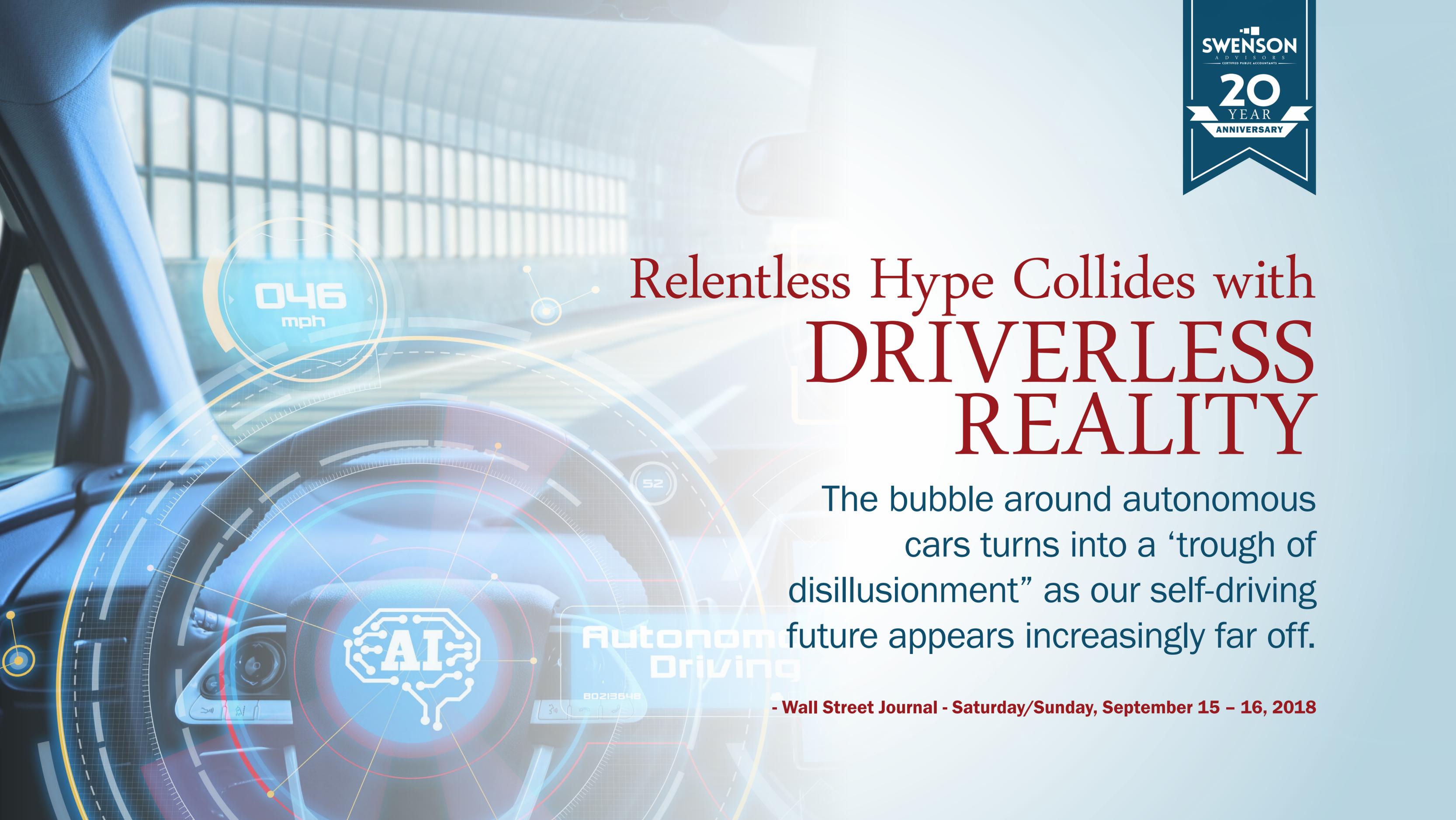
**- Financial Times - Monday, August 8 2018**

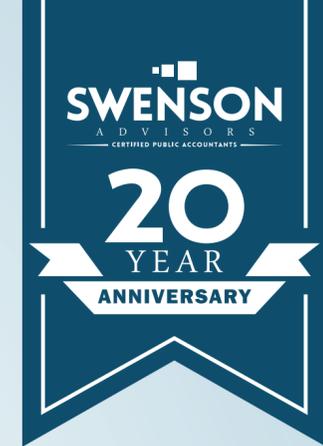


# Relentless Hype Collides with **DRIVERLESS REALITY**

The bubble around autonomous cars turns into a ‘trough of disillusionment’ as our self-driving future appears increasingly far off.

- Wall Street Journal - Saturday/Sunday, September 15 – 16, 2018



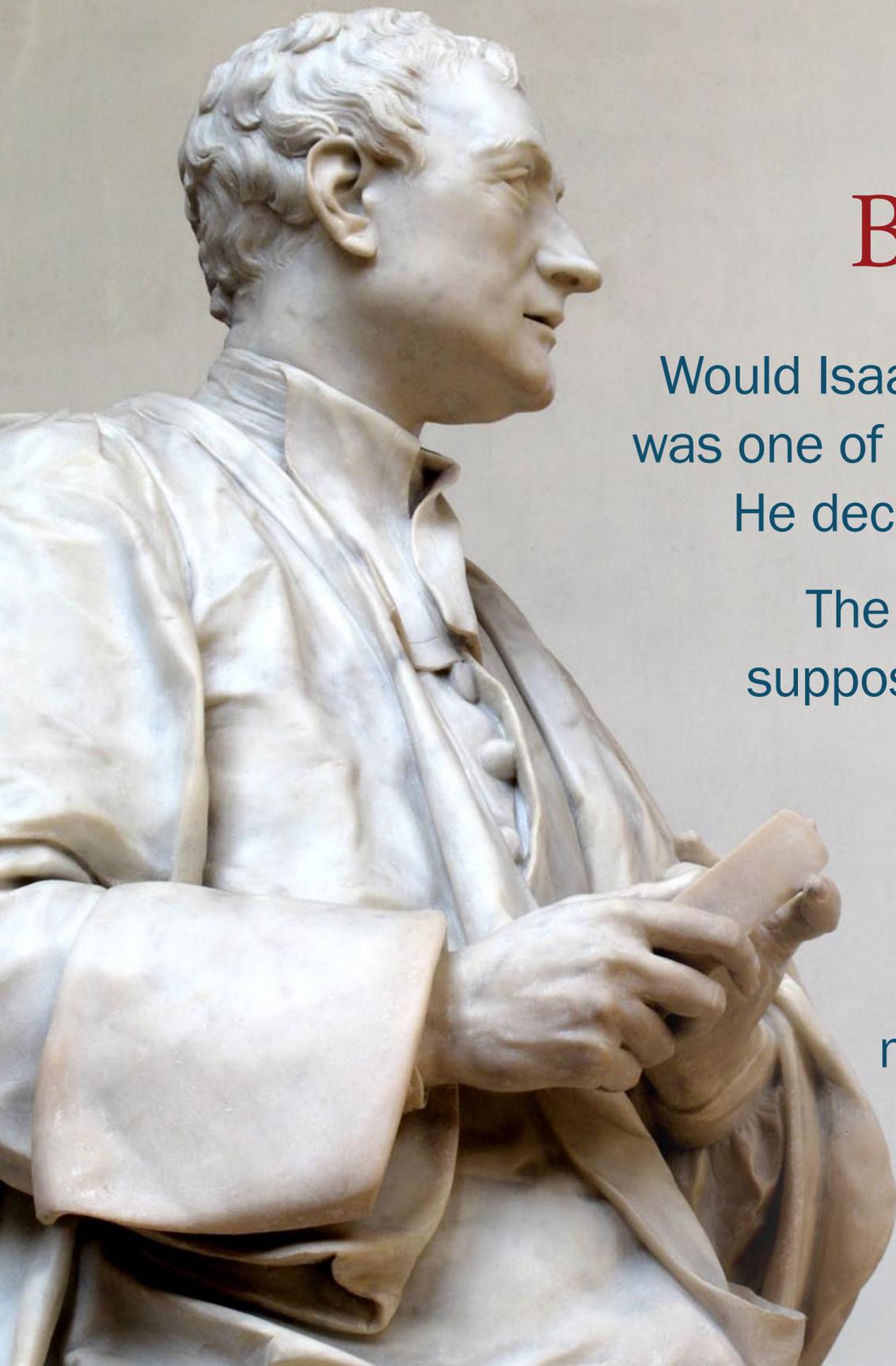


# The AI-First Enterprise: THE NEW IMPERATIVE

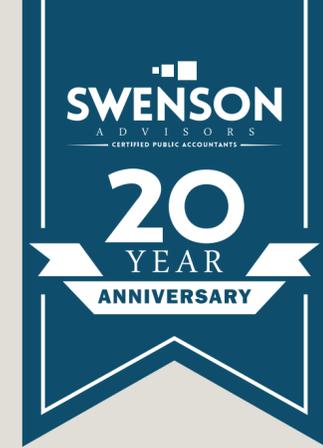
Artificial intelligence is racing from the lab to the front lines. Companies that fall behind now may never recover.

On Wall Street, wirehouses competing with robo advisors—in part by creating their own AI-driven investment advice platforms.

For these industries, the artificial intelligence revolution is already here. For others, it's just around the corner.



# LOOK OUT, Bitcoin Has Lost It's Tether

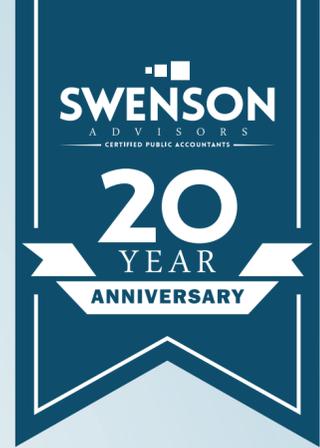


Would Isaac Newton have fallen for bitcoin? By the spring of 1720, Newton was one of the most famous scientists in the world and a very wealthy man. He decided to sell his shares in the South Sea Co., earning 100% profit.

The physicist, said to be worried the market was getting out of hand, supposedly quipped that he “can calculate the motions of the heavenly bodies, but not the madness of the people.” Yet a few months later, as he watched the stock trade ever higher, he let his own madness get the best of him.

Newton got back in, and he eventually lost the equivalent of millions in today's dollars when the price crashed. Sound familiar?

- Wall Street Journal - Monday, July 2, 2018



# Structural Flaws of Big Four Love-In with Clients

System in which auditors aim to please those who represent source of consulting income labeled fundamentally unsound.

- **Financial Times** - Wednesday, August 29, 2018

# Big Four Plan for Forced Break-Ups

Auditors face UK heat after Carillion Collapse

- **Financial Times** - Thursday, May 17, 2018

# Chummy and Conflicted Big Four Feel the Heat

Pressure mounts to break up auditors amid quality concerns

- **Financial Times** - Friday, August 10, 2018

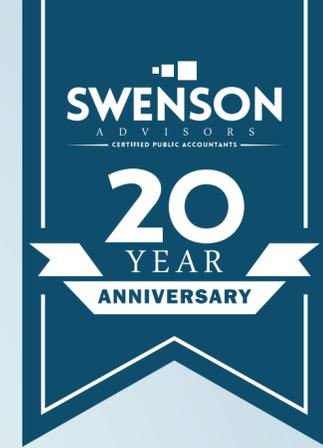


# EY Rejects Call to BREAK UP BIG FOUR

Chief says firm's size improves auditing,  
revenues raise \$35bn.

- **Financial Times - Thursday, September 13, 2018**





# FT Big Read. AUDITING IN CRISIS

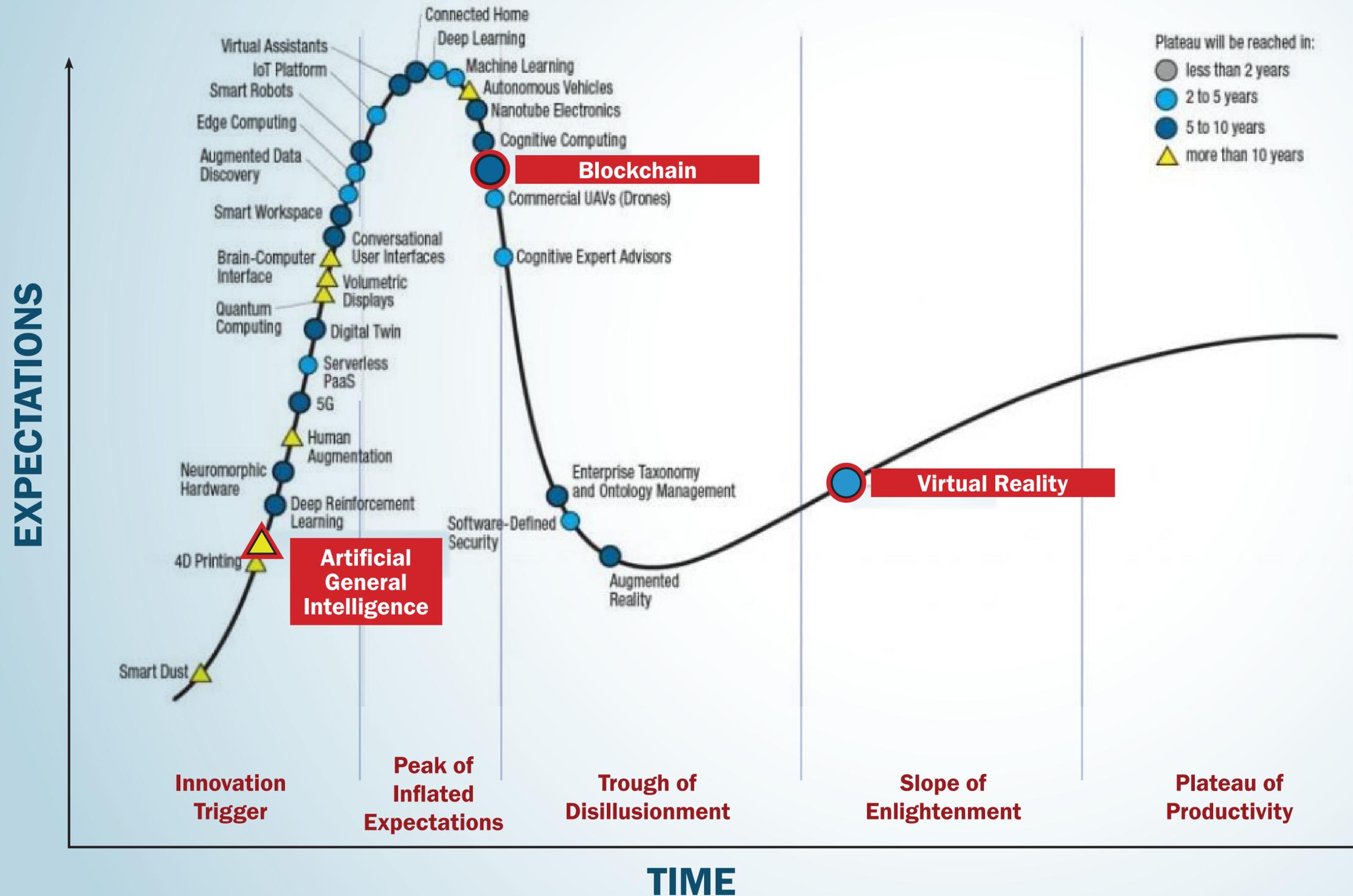
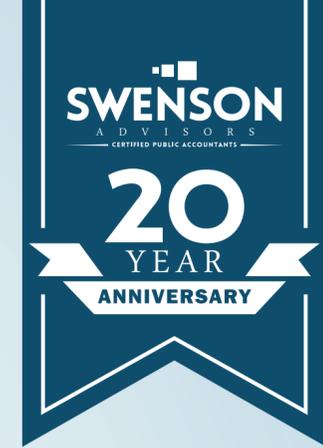
*By Jonathan Ford and Madison Marriage*

The biggest challenge facing accountancy is to restore confidence that audits present a ‘true and fair’ picture. Remedies include promoting smaller firms and encouraging greater use of judgment.



**- Financial Times - Thursday, August 30, 2018**

# GARTNER HYPE



## Cycle for Emerging Technologies, 2017

- Gartner, Inc. and/or it's affiliates - July 2017



# Rapid Changes in Auditing SUMMARY

- **WATCH FOR MAJOR CHANGES!**
- **AUDITING AND ACCOUNTING** will move to automation quickly.
- **EDUCATIONAL INSTITUTIONS & TRADITIONAL CPA FIRMS** need to make change over the next 60 months like never before.





Managing Partner

STEVE AUSTIN

