CPA
Practice Advisor

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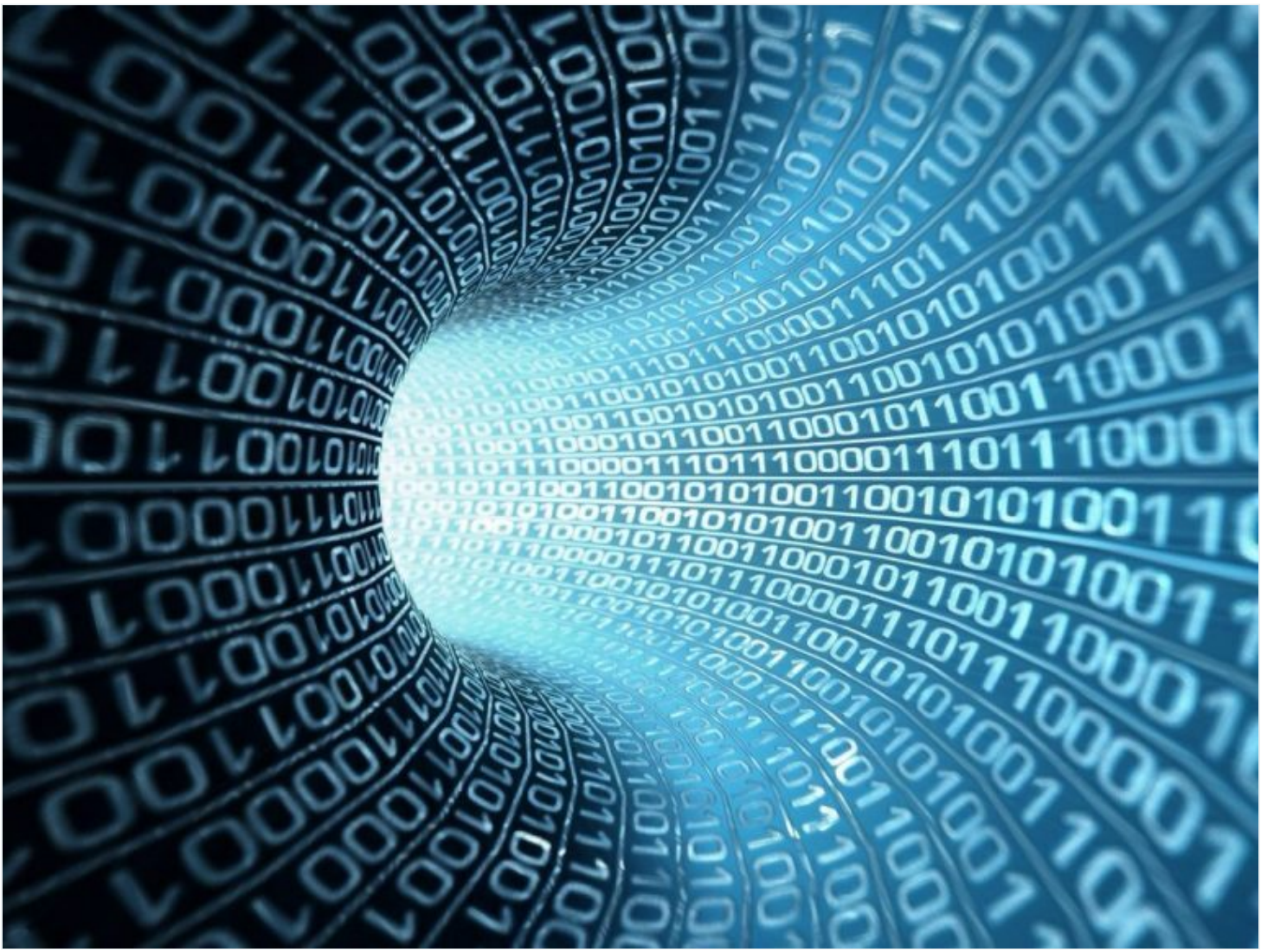
Jim Boomer • Sep. 10, 2018



Big data has become a buzzword in the accounting profession, but like other trending topics such as blockchain, AI and machine learning, it's one that CPAs really need to understand.

The definition of big data goes beyond the quantity of information. Most big data

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- **Variety.** Data comes in all types of formats. Of course, Facebook doesn't just store photographs. People also share status updates, videos, documents and more. Much of that data is doesn't easily fit into rows and columns of a spreadsheet.

But the important thing to really understand about big data isn't its enormity. As SAS points out, "It's what organizations do with the data that matters. It can be analyzed for insights that lead to better decisions and strategic business moves." That is what makes big data relevant to the accounting profession.

Big data impacts nearly every aspect of auditing, tax, accounting and advisory services. Accounting firms have access to a goldmine of data. The question is how firms can tap into that unexplored value and revenue that's right under their noses.

Data-driven audits

The Institute of Chartered Accountants in England and Wales (ICAEW) report Data Analytics for External Auditors provides a few examples of how big data is changing auditing. For example, audit sampling is on its way to obsolescence. Auditors are increasingly running tests against all transactions in ledgers and focusing their analysis on outliers or exceptions that are flagged by an automated program.

Monitor and improve business performance

With real-time reporting technology, accountants are increasingly able to aggregate data across all clients within an industry or market to come up with meaningful performance benchmarks. Rather than discussing lifeless ratios, accountants can show their clients how and why the competition is outperforming them. This level of real-time analysis can help you sell higher-value services such as budget forecasting and cash-flow management. This is also a reason your firm should be focused on and developing expertise in specific niches.

Risk identification and management

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helping clients mitigate risks and protect performance.

Improve the client experience

The convergence of cloud technology and big data means accountants and auditors aren't limited to analyzing a client's financial records on a monthly, quarterly or annual basis. Data is available in real time, so clients can have more regular conversations with their accountants and receive intelligent, timely insights.

Big firms aren't the only ones with the resources to start leveraging big data. While they might be at the forefront of building technology and hiring data scientists, analysts and researchers, even small firms can tap into the possibilities. Many solution providers in the audit technology space are moving quickly toward the future of big data, and we should see access to that technology trickling down to smaller firms over time. In the meantime, it's important to make sure that your talent is developing the skills necessary to make the transition to being data-savvy advisors. A few resources are the PwC course Data-driven Decision Making and Harvard professor Jelani Nelson's course Algorithms for Big Data (available on YouTube).

The availability of significantly more data and technology that can be used to analyze it can be a differentiator for your firm. But access to new technology isn't enough. Firms need to ensure it gets implemented and used. That will require a shift in mindsets and skillsets. Firm culture and a willingness to learn and change will determine whether you adopt and use new capabilities and capitalize on the opportunities that big data will bring.

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