CPA Practice Advisor

artificial intelligence to improve the efficiency and accuracy of an organization's checks and balances.

Apr. 21, 2023

By Adedibu Adesokan.

Accurate and timely financial reporting is critical for businesses. It provides a clear and concise picture of a business's financial health, helping executives to make informed decisions and maintain the trust of investors, lenders, and other stakeholders by promoting transparency.

By seeing exactly where money is being spent and potentially wasted, focus can be turned to more profitable endeavors. Not only does transparency build trust with those currently invested in a company, but it can also increase a business's access to

mark on an otherwise clean account.

While the importance of maintaining accuracy is clear, it can be a challenging task, especially for small- and medium-sized businesses that lack the resources of larger organizations.

Responsibility and consequences

The person or persons in an organization responsible for maintaining these records varies depending on the industry and the size of the business. Larger companies often have entire finance or accounting departments—sometimes both—while smaller operations might only have a single individual who compiles reports and usually performs multiple roles within the organization. This person may handle the final reconciliation as well, but small companies frequently outsource some or all of these responsibilities. Utilizing a software program is beneficial, but if the manual inputs are incorrect, the outputs will be, too.

Failing to maintain accurate records can have severe repercussions, including legal penalties accrued if regulations are not adhered to. This can result in the loss of credibility for both the business and the business owner and impacts the confidence of existing investors, lenders, and stakeholders. When confidence is shaken, further business opportunities for a potential sale, merger, or investment disappear, which can stifle growth or even result in closing the business. This can also lead to a decline in employee morale and may cause a higher turnover.

Critical elements

To create and maintain a comprehensive accounting policy, it is essential to implement well-defined policies and procedures. Promoting compliance and mitigating risks are two of the most crucial factors, along with ensuring consistency.

Because staff turnover is a normal part of running a business, having established

of control procedures.

Once policies are implemented, consistent monitoring of controls is required to ensure individual contributors are fulfilling their roles and that the procedures function properly. Frequent monitoring and review also provide an incentive against procrastination, which can increase the risk of errors. In addition, the business should assess the effectiveness of its internal controls on an as needed basis and identify procedures for improvement.

Five ways accountants can help clients

Savvy accountants who provide valuable guidance, training, and support can help clients maintain proper financial reporting. Here are five ways to accomplish this goal:

1. *Develop and maintain internal controls.* Determine the division of labor and what approvals are required for each process. The individual responsible for collecting money should not be the one who reviews their own work.
2. *Provide training and support.* When new procedures are implemented, the affected staff should be adequately trained and then supported. Including this in an established onboarding process for new employees gets them up to speed faster. This can be accomplished through mandatory videos, sponsorships for specialized training, or lunch-and-learn events where an expert comes to train new employees.
3. *Conduct regular internal audits.* This ensures the policies are effective and that all data is current and accurate. Long-term undetected issues can escalate quickly. These internal reviews are good practice for external audits when the organization's processes must be shown, along with the final results.
4. *Keep current with regulatory changes.* Systems and timelines can be established to review applicable regulations for continued compliance.

5. *Leverage technology.* This is especially important for small companies with less

Common mistakes

A lack of communication and coordination between departments and the individual responsible for collating departmental data can result in delays and inaccurate reporting. Some organizations have a tendency to apply quick fixes to a problem, which can create long-term issues. These temporary Band-Aids can be especially detrimental when employee turnover occurs. Another common mistake occurs when decision-makers put more emphasis on what is bringing money in the door and reallocating funds away from accounting.

Though a majority of companies have policies in place, and some may have a dedicated financial individual or team, written and formal procedures may be inadequate. Organizations will benefit from frequent evaluations to determine what areas need improvement. One possible solution is to incorporate more automation into the company, but over-reliance on technology is a mistake that many companies make. There is room for error if any step in a process requires manual input. The remedy is to create a system for someone to review and verify the data reports.

Transparency, confidence, compliance, and sustainability

The future of financial reporting will show an increased use of automation and artificial intelligence to improve the efficiency and accuracy of an organization's checks and balances. Regulations continue to change and evolve, especially when new types of business come into existence.

When cryptocurrency started, the government established new legislation to ensure accuracy, taxation, and legality. Emphasis on data security is critical, which many came to realize after the Equifax breach. Approximately 82 percent of small businesses fail because of cash flow problems. Not only is accurate financial reporting necessary for legal purposes, confidence, and transparency, but it can save

accountant or legal counsel prior to implementation.

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Adedibu Adesokan is a senior associate who has worked in the accounting industry for many years. He has experience working with consumer products, oil and gas, and private equity clients. He earned a BSc in accounting from the University of Mississippi. Adedibu has worked locally and with global teams on financial statement audits, tax compliance, and M&A transactions. For more information, contact adedibu.adesokan@gmail.com.

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