



Artificial Intelligence and its importance to the future of tax and finance



The digital transformation of finance

Digital transformation is likely to be a phrase that you've heard many times, even more so in recent years. As the pace of change continues to accelerate with the evolution of online technologies, every aspect of a business is noticing its effects. Even those which have historically been a little more averse to change.

Tax and finance are often viewed as business functions that need to be reliable, accurate and consistent but tend to change only when needed such as for regulatory updates. However, the sea change brought about by technology is forcing finance and tax to adapt and one technological advancement is paving the way for finance process enhancement - Artificial Intelligence (AI).

What is Artificial Intelligence and why should I care?

Formerly a buzzword of the tech world, AI has found its way into a multitude of applications and is now embedded within many of the programs that we take for granted. From smart email filtering allowing you to avoid spam to chatbots providing suggestions to queries, AI is mainstream and allows users to interact with technology in increasingly intelligent ways.

AI adoption isn't only in the mainstream as it's made its way into finance and tax. Although the velocity that AI has filtered into the sector may be slower than others, it's present none the less.

No-one can settle on one clear definition for AI but a consistent thread is

“the ability for a machine to imitate intelligent human behaviour, such as learning, pattern recognition and problem-solving, to perform tasks commonly associated with intelligent beings”.

In a recent ARKK survey of over 100 finance and tax professionals, we found that only 1 in 3 are currently taking full advantage of digital innovations such as AI. This shows that there is still plenty of room for the growth of AI within the industry to help combat some of its top challenges.

The **current difficulties** within tax and finance

As the finance sector is bombarded with increasingly large datasets alongside regulatory and statutory updates from authorities, there has never been greater pressure to maintain day-to-day activities while also providing additional value to businesses.

From our survey, we discovered the top 3 challenges within tax and finance are:

01

Accuracy of data

02

Maintaining compliance with regulatory changes and updates

03

The ability to access, adjust or reconcile data quickly

These top 3 issues appear to have a common thread which is seemingly the use of outdated and static systems which rely heavily on manual data input and alteration. In the fast-paced, digital world of 2021, these types of systems are swiftly becoming redundant and being replaced by online solutions with a broad range of features and capabilities including AI.

How can AI enhance the finance function?

Artificial Intelligence has many capabilities including aiding data analysis, highlighting irregularities and providing logical suggestions based on historical data.

The top 3 benefits that finance and tax professionals gave for the use of AI were:

01 Cost savings

02 Time efficiency

03 Higher data accuracy

All of these are vitally important within finance, tax and practically any other function. In this eBook, we're going to further explore the importance and benefits of AI as we truly believe digital technologies can provide organisations with insights, productivity increases and cost efficiencies that can give companies a competitive advantage.

Cost savings and finance optimisation

Any business needs to be financially astute and recognise areas and processes that perhaps aren't optimal from a financial standpoint. What AI allows companies to do, is quickly assess and analyse data and highlight areas for financial improvement that perhaps organisations didn't even recognise.

Taking an example, Company A often purchase commodities from Company B but notice that the price can fluctuate. Company A wants to investigate which factors such as time, date, other items purchased and so on, might impact the price most. Company A use AI to analyse this data which enables them to draw out insights, allowing Company A to purchase from Company B at the best price.

This is a very rough example, but the real-world applications of AI can lead to extensive cost savings for companies. One real-world example is ARKK's for:sight platform's Consistency Checker, an AI-powered application, which highlights inconsistent VAT transaction data for tax teams to review. This could lead to the discovery of VAT over or underpayments by an organisation, both of which have financial implications.

Time **efficiency** and **productivity** increases

The old business saying 'time is money' still rings true and finding opportunities where companies, including finance teams, can use their time more effectively is crucial to improving organisational performance.

As previously mentioned, one of the top 3 challenges within finance and tax is the ability to access, adjust and reconcile data quickly - presumably due to manual processes. Technology, specifically AI, can be used to automate complex tasks which would have been extremely time-intensive before. Not only that but machine learning functionality, a subset of AI, can detect patterns in data and become more sophisticated, learning and adapting to specific requirements

What this ultimately means is a reduction in time spent manually altering data and more time spent by finance and tax teams analysing, examining and extrapolating insights to provide increased value to the business and higher job satisfaction.

Improved **data accuracy**

Data accuracy was the number one challenge for tax and finance teams from our survey and it's understandable why. Increasing demands, larger data sets and more complex obligations are putting the finance function under growing pressure. Coupled with the manual processes that many finance teams are still using makes maintaining data accuracy tricky. It's therefore natural to see that higher data accuracy was one of the top 3 benefits of using AI.

AI's ability to automate tasks inherently means that it reduces manual data input errors, which are often the cause of data inaccuracies. AI can also highlight anomalies which may be the result of inaccurate data that wasn't previously picked up. This helps to improve data accuracy which in 2021 is more important than ever.

Mandatory changes such as Making Tax Digital, mean the requirement for data accuracy is even more vital as governments push for increased visibility of organisations' financial data.

Global digitalisation

It's no secret that technology has had a profound and lasting effect on the way we interact, socialise, shop, travel and do business. In many industries having some form of technological capability has become the cost of entry and numerous companies are leveraging the benefits of a digital-first approach to gain a significant competitive advantage.

Finance and tax may have historically been slow to adapt to new changes, however, there is a shift on the horizon. Based on our survey data, more than 1 in 10 UK finance and tax functions are currently using some form of AI and/or machine learning to support the function. However, by 2023 this number is expected to jump to more than two-thirds.

Not embracing digital innovations, such as AI, may initially seem harmless but as more companies continue to reap the benefits, businesses can quickly find themselves left behind if they fail to keep pace.

Apprehensions surrounding AI implementation

We've spoken about the numerous benefits of AI but there is one major concern that finance and tax professionals have regarding its implementation.

The number one concern,

46%

of respondents agreed, is that AI will result in job losses due to artificial replacement.

On the surface, it's easy to see where this originates. Cost savings, time efficiency and automation all sound like methods to replace staff with machines but in fact, it couldn't be further from the truth.

The benefits of AI are only truly realised when accompanied with human insight and analysis, augmenting humans and their decision making as opposed to replacing them. AI and other digital innovations are there to help facilitate easier data extrapolation from systems, allowing actionable insights to be gleaned faster and decisions to be made quicker than ever before.

The rapid pace of change in the digital era can seem overwhelming but there are many advantages, right at people's fingertips, if they use relevant technology to enhance fundamental business processes.



We're here to help

ARKK's SaaS platform, for:sight, can help tax and finance teams enhance their processes and our AI-powered Consistency Checker improves data accuracy, time efficiency and identifies potential cost savings by automatically flagging anomalies in transactional data for finance teams to review.

If you would like further information on how financial automation can transform your finance function, please **get in touch** and one of our experts will be in contact.