# Accountancy Europe Digital Day
Visions from professional bodies

29 March 2017

# Current Focus Areas of IDW's Digitalisation Agenda

Looking at digitalisation from a market perspective

| Visibility and positioning | Standard setting activities | Audit | Processing and storage of data | Ressources |
|---|---|---|---|---|
| Raise public and client awareness of our profession as an expert in digitalisation | Shift from financial statement audits to developing innovative services | Explore in detail the impact of technological innovation on the audit process | Fostering coordinations of legal framework requirements and services offered by external service providers | Facilitate members' cost-efficient access to the right skills, talent, and technology |

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# Example 1:
## Focus of standardsetting (= Focus Area #2)

- **Digitalisation of business means**
  - Rapid changes in business models
  - Re-engineering and globalising the value chain (out-sourcing, shared services, cloud services etc.)
  - Leaner, more flexible and more fluid organisational structures (speed over size)

- **Digitalisation introduces new / more „interfaces" between the entity and its outside world**
  - Risks and uncertainties of unknown nature and amount
  - Management of these risks drives the agenda of CFOs and those charged with governance (GRC, efficiency, performance)

- **Multiple opportunities for the profession in its role as a trust and assurance provider**

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■ IDW Standards: we can seize opportunities arising

- Promoting the reputation of the profession

- Establishing a brand in the market

- Defining a specific service ⟶ „product"

- Providing the profession with a competitive edge

■ Examples (completed): Assurance services related to

- Internal controls of outsourcing suppliers

- Compliance management systems

- Use of cloud services (impact on the user's financial reporting system)

■ Examples (potential projects): data protection, cyber security, business continuity

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# Example 2: Impact of technology on the audit process (= Focus Area #3)

■ Looking into issues related to methodology

- Better insights vs. large amounts of „outliers"?

- How to categorise data analytics within the traditional classes of audit procedures?

- Sufficient audit evidence – when is enough enough?

- Which controls really matter – which do not?

➡ **Do we need a revision of auditing standards or just guidance on how to apply them in a changing world?**

■ …but also into the really essential question: In the longer term will technology enhance the value of our audit services or render them meaningless?

# Example 3:
# Access to Resources (= Focus Area #5)

■ Attaining resources (technology, people / skills) often associated with considerable upfront investment

- Economies of scale count considerably
- Small accounting firms at a competitive disadvantage

■ IDW: Are there alternative ways to enable smaller firms to have both a) access to relevant resources, and b) at reasonable cost?

- Initiative 1: Creation of a new expert qualification *"IT Auditor IDW"* as of 2017
  □ Individuals with strong IT skills and practical experience in financial statement audits can qualify (so far 30 individuals)

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## Example 3:
## Access to Resources (= Focus Area #5) cont.

☐ Establish an expert pool which smaller firms can draw upon, on an as-and-when basis, whenever they need IT / digitalisation-specific knowledge

● Initiative 2: Stimulate the IT industry to offer "tailor-made" cloud services for the profession

☐ High level of security needed due to restrictive client confidentiality laws / reputational risks

☐ Accounting firms no longer need to run their own data processing centres

➡ Take steps to move from an static upfront investment model to a flexible pay-as-you-go model

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# To conclude

- **There are many practical ways in which professional bodies can support their members' day-to-day digital transformation**

  - Different segments have different needs and thus different expectations from their membership bodies ("have something for everybody!")

  - Collaboration with the IT industry is key and getting their representatives to the table becomes easier when professional bodies act for the profession as a whole

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# To conclude, cont.

- **…but more importantly, we must urge the profession to face and adapt to the longer term strategic fundamentals of digitalisation, e.g.:**

    - Pricing models: „hours times rate" vs. return on upfront spending in technology, automatization etc.?

    - Delivery / organisation models: fixed workforce, multi service lines organisations vs. flexible, on demand platform organisations

    - Business models: assurance on potentially deficient systems and processes vs. block chain-based perfect processes and systems; professional judgement versus artificial intelligence

- **To do the job, professional bodies must undergo changes as well (market-driven, new skills, interactive, collaborative etc.)**

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