

## Integra International Audit & Accounting Alert

Issue 4 | July 2018

### At-A-Glance

With a bit of irony, AICPA President Barry Melancon kicked off his keynote speech at the June, 2018, AICPA ENGAGE mega-conference by stating “The pace of change in our profession will never be as slow as it is today.” In the first article of this issue, we highlight Melancon’s challenge to CPAs and CAs to not let up in their pursuit of technological advances, while predicting a rewarding future for those that rise to the occasion.

Dialing down on one aspect of Melancon’s speech, our second article showcases a report and interactive tool developed by the International Federation of Accountants. These aids are designed to assist accountants with resources that can help them develop a practical familiarity with various technology advancements, that currently, or soon will, impact their services. Here we focus on one of those, namely blockchain.

Finally, our Worldwide Update covers news from organizations across the globe.



### **The Horizon for Change Closes in on the Accounting Profession**

#### ***AICPA leaders paint a picture of rapid and relentless change***

“The pace of change in our profession will never be as slow as it is today.” That’s how AICPA President, Barry Melancon, began the keynote address he gave along with AICPA Chairman, Eric Hansen, at the annual AICPA ENGAGE conference in Las Vegas this past month. To put that declaration in perspective, a year ago I reported that in his address at the same conference, Melancon stated “We will not recognize our profession in ten years.” He went on to say then that the timeframe was more likely to be five years.

For many years I have looked forward to hearing Melancon's observations and predictions for the profession at this conference. This year, unable to physically attend, I live streamed the keynote to my office, an alternative not even technologically possible until recent years.

Melancon is known to cover a lot of ground in a short amount of time. Fortunately, other advances came to my rescue. While watching the presentation in the middle of my computer screen, live tweets filled the right side, while chats maintained an ongoing commentary on the left. Key quotes displayed in the tweets were a lifesaver that enabled me to catch important points I may have missed while I frantically scribbled my notes.

While covering the broad gamut of the profession's issues, including audit and accounting, tax and regulation, workforce changes, financial challenges, and geopolitical shifts, the speakers emphasized the relentless impact of technological advancement that is pervading all areas. Listed as most currently significant were cognitive computing, in-memory computing, visualization, process robotics, cloud, advanced analytics, and blockchain.

Each year this address serves as a wakeup call to the thousands of accountants in attendance, especially scaring those who have been sluggish in their efforts to address change. Hansen referenced a McKinsey & Company study that predicts that 375 million people may need to switch occupations and learn new skills by the year 2030. Melancon noted that over the past 2 years, there has been a 20% decline in the hiring of accounting graduates by major accounting firms, while their total hiring has remained essentially the same. To which he posed the question: "As we develop new services around, say, blockchain, don't we need a different set of skills, combined with a baseline knowledge of accounting?"

Nevertheless, Melancon felt that "It's not necessary to understand the technical aspects of blockchain." While we won't all be experts, we need to "know enough to understand its ramifications. It will change accounting as we know it." He predicted that by next year, 2019, CPAs would be expected to deal with banks who are devoting many millions of dollars developing their blockchain applications. Our next article covers more about blockchain.

In the audit arena, the AICPA has put a huge emphasis on audit quality over the last two years. The key drivers in the audit of the future are technology, methodology, standards and new skills. However, Melancon states, "We are not talking about looking at the existing audit and making it better – incremental change. Instead, how do we imagine what the audit should look like in a world that's changing the way ours is?" Or as Hansen put it: "Transforming the audit is not about automating what we're already doing. We need to set that aside – if we're intentional about advancing this, we can create a very successful future for our profession."

Referring to a specific tool, the speakers described OnPoint PCR – Preparation, Compilation & Review, developed by Caseware in conjunction with the AICPA, for small and mid-sized US firms. The website for the product states that the "cloud-based solution features intelligent checklists, guided client onboarding and continuous optimization using the latest methodology from the AICPA. It also offers real-time collaboration with your colleagues and clients, trial balance auto-mapping, and one-click

financial statements” designed “to increase the quality and efficiency of your preparations, compilations, and reviews.”

The AICPA also introduced a new group of learning materials known as Go Beyond+Disruption. To be available in a variety of formats, they tackle areas such as data analytics, cybersecurity, blockchain, robotic process automation and human intelligence. As Hansen put it, in order to succeed in the future, accountants will need to “learn, unlearn and relearn.”

With the rapid developments in technology, The AICPA Professional Ethics Executive Committee (PEEC) is working hard to assure that CPAs have the tools necessary to maintain independence when performing attest services. Comprehensive revisions are in the works under the Ethics section of the AICPA Professional Standards that covers information systems design, implementation or integration by CPAs providing attest services. The comment period for the related exposure draft just closed on June 15, 2018. Meanwhile, the recently adopted interpretation, *Hosting Services*, goes into effect September 1, 2018. That interpretation clarifies when independence is impaired from providing cloud hosting services to an attest client, as well as physical hosting of records. As Catherine Allen stated in a recent Journal of Accountancy article, “hosting services can impair independence when a CPA takes responsibility for maintaining internal control over an attest client’s data or records. For example, the member assumes responsibility for safeguarding the information by agreeing to: • Be the sole host of a client’s financial or nonfinancial information system; • Be the custodian for the client’s data such that the client’s data are incomplete and accessible only through the CPA; or • Provide business continuity or disaster recovery services to the client.”

The AICPA is committed to providing the advanced resources that smaller firms need to keep up and compete. That’s a good thing, since the Big 4 have millions of dollars to invest on their own technology. As the speakers noted, one of the Big 4 firms is the largest users of robotics in the world. Robotics is not just about manufacturing. The accounting firm uses extensive robotics, or bots, in providing their services.

Additional details on this subject can be found at [Melancon: It’s time to reimagine accounting](#) and [AICPA releases educational resources on future of finance](#).

(<https://www.accountingtoday.com/news/aicpas-barry-melancon-its-time-to-reimagine-accounting>)

and ([https://www.accountingtoday.com/news/aicpa-releases-educational-resources-on-future-of-finance?utm\\_campaign=daily-jun%2014%202018&utm\\_medium=email&utm\\_source=newsletter&eid=88f2c6c88ddb1fb5f4efdb549d6622a1](https://www.accountingtoday.com/news/aicpa-releases-educational-resources-on-future-of-finance?utm_campaign=daily-jun%2014%202018&utm_medium=email&utm_source=newsletter&eid=88f2c6c88ddb1fb5f4efdb549d6622a1)).