

CHARTERED ACCOUNTANTS WORLDWIDE

The FUTURE
CA 2025
LEARN, UNLEARN & RELEARN

Welcome to the CAW EVOLUTION DISCUSSION Walk (UPRIGHT) this way →

BACKGROUND

pp It has become appallingly obvious that our technology has exceeded our humanity. dd

Albert Einstein

Einstein, with the uncanny future insight for which he was widely renowned, encapsulated the dichotomy that currently faces the accounting profession – embracing the world’s breathtakingly rapid technological advances without sacrificing the values and ethics that have so long sustained and defined the profession.



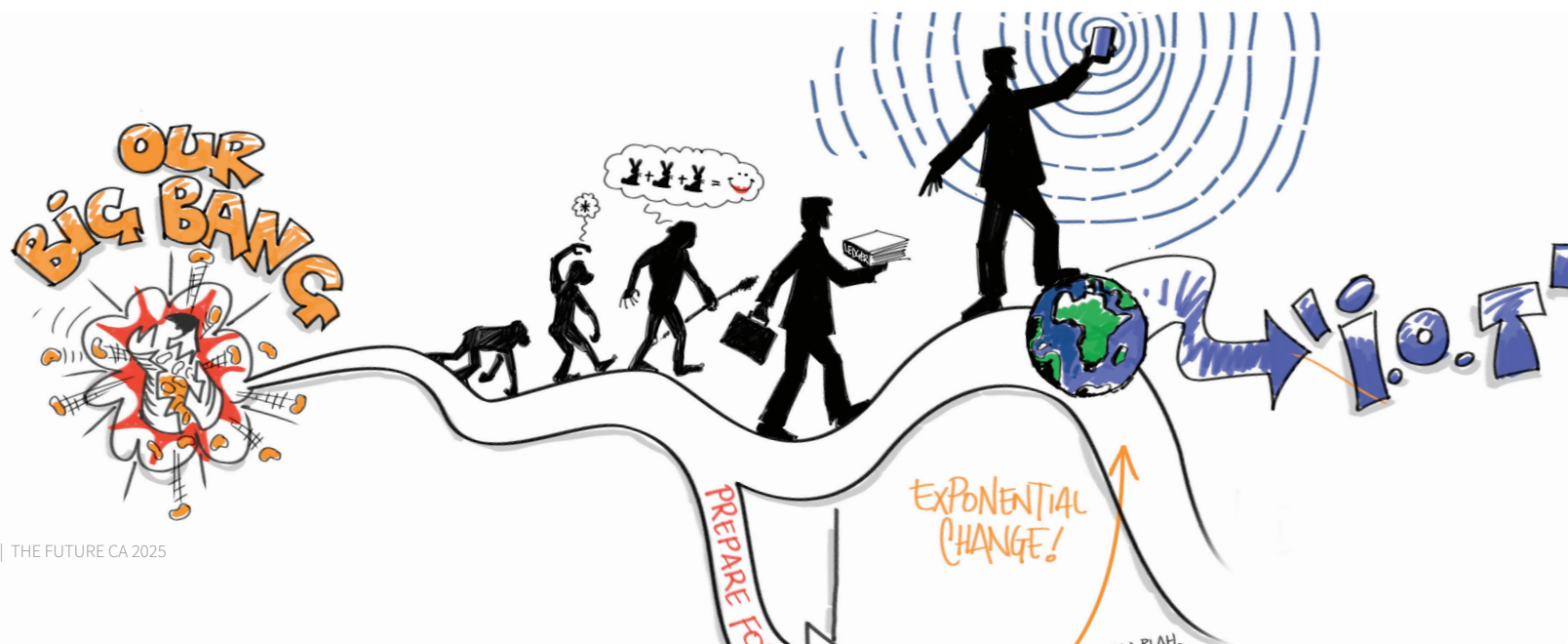


The conundrum dominated the Think Tank featuring the second in a series of *Conversations around the World* hosted by Chartered Accountants Worldwide (CAW) in Johannesburg, South Africa, on Friday 2 December 2016 at Deloitte's unique Greenhouse venue. The event was hosted by the South African Institute of Chartered Accountants (SAICA).

The Johannesburg debate strove to predict the challenges chartered accountants and business leaders would face in the years ahead, particularly given the speed with which changes to technology are taking place, and identifying potential approaches to those challenges.

The *Future CA 2025* debate hosted more than 45 representatives from CAW institutes around the world from leading Chartered Accountant Institutes in the UK, Australia and New Zealand, Ireland, India, Pakistan, Singapore, Scotland and South Africa, all of whom participated in lively, frank and open discussion, creatively recorded in real time on the walls of the Greenhouse.

In addition to the CAW Institute representatives, also participating in the debate were seven members in business, five partners from accounting firms, three members from academia and one from the State's Auditor-General office and diverse views were expressed.



Delegates represented a diverse range of age, expertise and background. In addition to international CAW representatives, the Future CA 2025 debate included business decision makers who traded forecasts with younger accountants, while entrepreneurs swapped ideas with experienced chartered accountants. Business leaders varied from a mammoth health

insurer to an advisory firm specialising in exponential technology. The big (and small) accounting firms were well represented, as were accounting academics. The debate was facilitated by the well-known South African business journalist, Bruce Whitfield.

THE ELEPHANT IN THE ROOM – IMPACT OF TECHNOLOGY

While the technologically inspired elephant in the room dominated much of the conversation, permeating the debate was an evident awareness of the technical and ethical competence that is so highly prized in the chartered accounting domain. It is a currency that was constantly emphasised during the course of the debate, with delegates highlighting their relevant Institutes' competency frameworks that codify the broad range of knowledge, skills, professional values (including ethics) and attributes that ensure relevancy.





Relevancy in a fast-evolving technological world was a hotly debated topic. As one delegate spelled out: “Delivering entry-level chartered accountants who aspire to be responsible leaders and who are extremely technically competent may be relevant now; but with technological advances and many typical accounting roles (routine work) being rendered irrelevant, there is a pressing need to debate exactly how much accountancy knowledge is really necessary.”

Participants in the workshop identified that the profession needs to travel the road to remaining relevant through:

- **developing a range of multi-disciplinary skills (that can be applied to any body of knowledge)**
- **being committed to lifelong learning**
- **having an awareness of stakeholder needs and requirements**
- **trusted and ethical leaders who are committed to the truth**
- **sharing legacy knowledge**
- **being connected with the real world**

One of the significant factors affecting the workplace is the exponential changes coming from technology and the extent to which this is becoming integrated into everything that we do. Technology doubles in capacity and halves in cost roughly every 18 months.

The competency needs of business (in particular the financial services and professional services industries) are directly impacted by developments in technology.

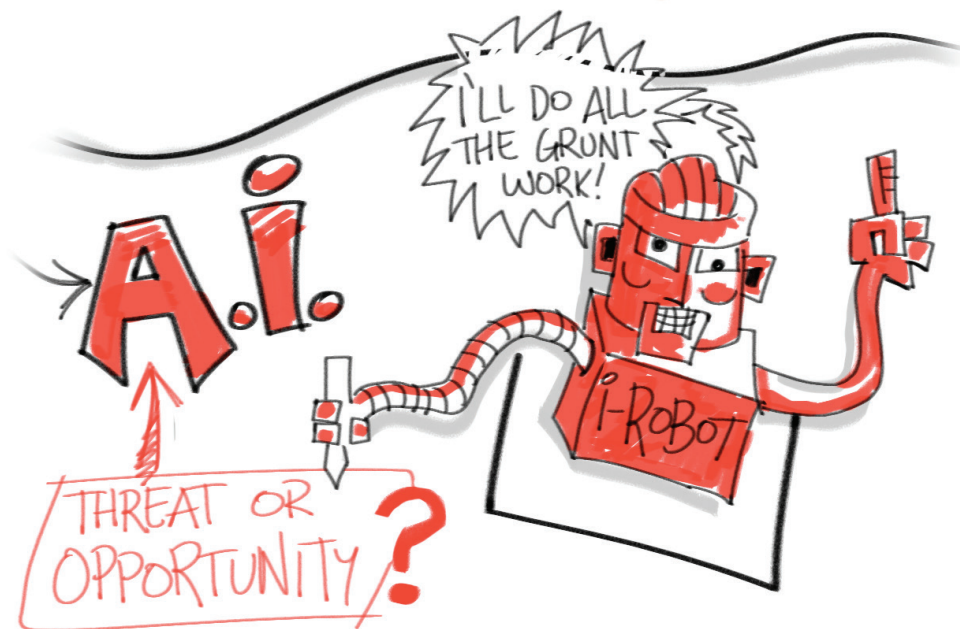


“Technological change will have a significant impact on job creation and displacement, skills gaps, education and gender gaps. Preparing talent will be key for ensuring that the economy and society fully reap the opportunities of the Fourth Industrial Revolution. This will require breaking down old silos between education systems and labour markets, new, agile approaches to regulation and public-private collaboration.”

World Economic Forum – Shaping the future of education, gender and work.

Even so, technology remains an extraordinary enabler for individuals, facilitating as it does 24/7 access, thereby endowing employees with greater control over when and where they work. A CEO of one of the Institutes enthusiastically argued that technology should be seen as “a great opportunity”, because over the next five to ten years, a lot of the boring, repetitive work will be removed.

“We can reinvent the profession in all its different aspects. The core area of the audit was developed with the tools that were available to the accounting profession at the time. Today, with technology and artificial intelligence, we can enhance the aspects that were previously deficient in the audit process.”

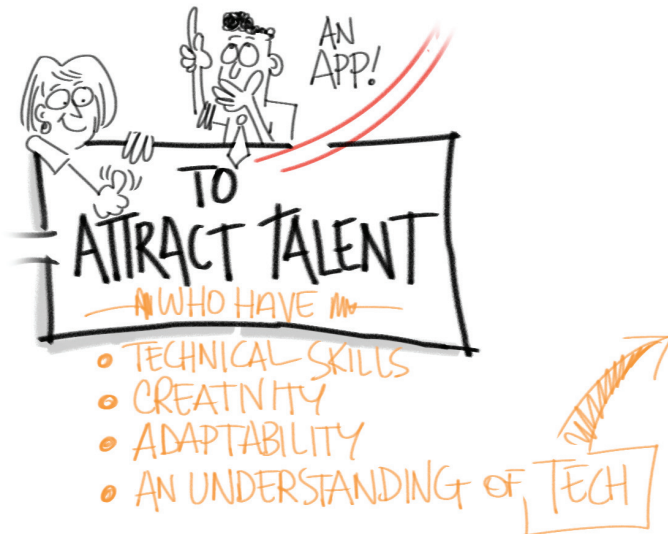


EMPLOYEES OF THE FUTURE

There was agreement that the business leaders of the future should be characterised by being rules savvy, tech savvy, innovative and creative, business savvy with society in mind, value generative and consumer-centric.

The next generation of chartered accountants can and should embrace change via:

- Technology and innovation
- Customer-centricity
- Dynamic change management
- Multi-nationalism
- Entrepreneurship
- Softer skills (conceptual, empathetic)
- Integrity and ethics



Importantly: “While the technical matters are handled very well, we are not looking to recreate accountants entirely. We are looking to make the profession more exciting going forward, attracting great talent to roles where a professional can add tremendous value. Unfortunately today, accounting is not the number-one career choice among bright young people, even though it is a great career opening up access to many different opportunities.”

Competence generally refers to the skills, knowledge and attributes developed. A lot of focus has however been placed on the development and importance of knowledge in developing chartered accountants. The move over the last few years, is in addition to identifying and defining at the strategic level the skills set best suited to the market, is creating a competency framework which articulates the competencies of chartered accountants and is developed with the end user in mind (the employment market). In addition, it is equally important to determine the next generation of employees’ expectations related to the world of work. It is a determination governed by what many would describe as an increasingly electronically connected, consumption-addicted, short-term-contracted generation.

So, what will the profession look like in 2025? The answer, according to one of the Think Tank’s more eloquent delegates: “We (chartered accountants) have collectively made a promise to tell the truth. By 2025 people will still be trying to get to the truth. We are the guardians of the truth. Personal ethical leadership is the basis of the chartered accountant. The profession must continue to tell its story.”



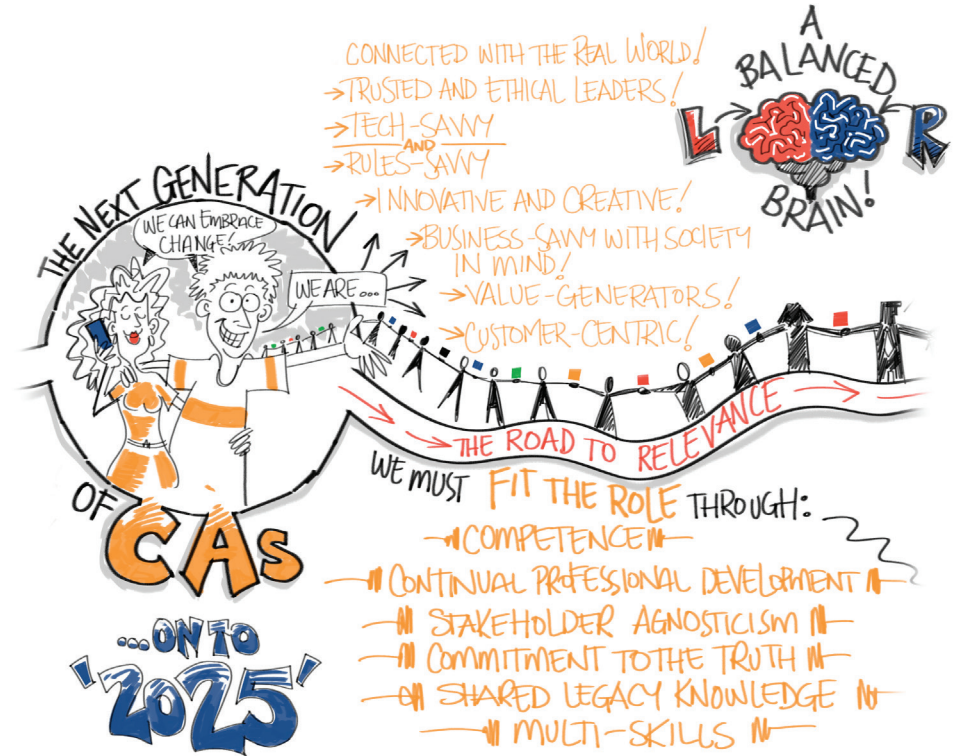
All of which gives rise to the questions:

- Surely employers should simply train their employees along tried and trusted traditional lines?
- What role do professional bodies have in the development of skills worthy of being applied to the future world of work?
- Does the profession have the vision necessary to forge a prosperous future for themselves and the world around them?
- How do we embrace what we don't know?



ADAPTING TO CHANGE

The answers offered boiled down to the conclusion that we live in a rapidly changing environment requiring new approaches; new solutions; new visions.



Chartered accountancy professionals need to continue to evolve and adapt to the world around them by identifying and then developing competencies which are relevant to the people who employ them on an ongoing basis.

“ Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion. ”

Jack Welch

Professional bodies have a role to play in researching, implementing and communicating changed competency expectations to ensure they maintain the status of the qualification and deliver chartered accountants who are relevant and can add value to businesses and organisations around the world.

Employers, for their part, will have a more critical role to play in upskilling their employees with these changed skills requirements as the need to learn, unlearn and relearn new skills increases. (Some estimate this will need to happen as often as every five years). This has significant implications for employers as the skills may not be readily available and they will have to invest in its employees accordingly.

“ Learn, unlearn and relearn. ”

The Future CA 2025 debate



Most critically, we need to cultivate an attitude and recognition of lifelong learning as an essential component of being a professional in order to ensure ongoing relevance of the chartered accounting profession. Given the impact of changes in technology and competencies required, there is going to be a critical need to upskill existing accounting professionals in addition to focusing on what the necessary skills are for future professionals who will need to be more flexible and agile.



We must adapt or die to survive. Therefore:

- Keep changing
- Keep on learning
- Keep innovating

Attract talent that is able to implement those objectives. In particular this requires:

- Adaptability, agility and flexibility
- Creativity and the ability to be innovate
- Technical skills
- Understanding and using technology appropriately

CHANGE ALLOWS FOR OPPORTUNITIES

Opportunities offered by increasingly sophisticated technology are already making enterprise-wide real-time reporting and assurance an affordable and likely next upgrade for client businesses, with profound implications for the capabilities of individual team members and thus the composition of audit teams in the future.

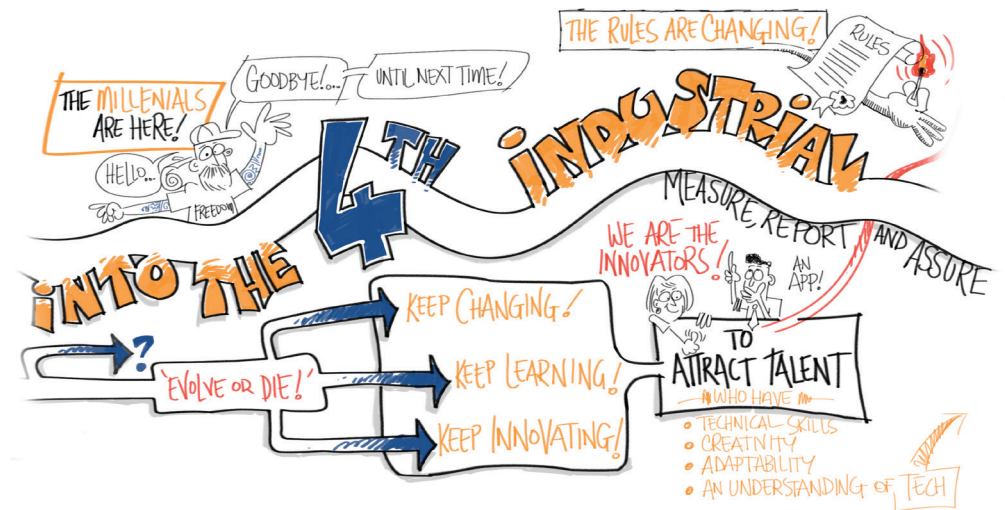
As technology develops, corporate organisations, including audit practices, will of necessity, have to change. Data analytics, for example, is currently an area of significantly rapid growth, while artificial (or augmented) intelligence-based systems herald a future in which computers will for example:

- audit all a company's transactions instead of a sample – thereby providing greater assurance; and
- manage the distribution for manufacturers of increasingly fast-moving (and ephemeral) consumer goods.



Because technology advances also replace much of the basic work of the traditional trainee accountant/auditor, this may have a significant negative impact on the number of available training opportunities during the practical experience period of the chartered accountant's qualification process. A CA is more than just an auditor but rather a business leader, so leadership skills need to be incorporated into training.

A further consequence is the potential need to rebalance the mix of technical knowledge and pervasive soft skills that are developed in prospective chartered accountants. New skills may need to be included such as entrepreneurship. In addition to the current traditional technical areas to which accounting professionals are exposed during their qualification, being technologically competent and having an ability to stay abreast of the rate of technological changes will be critical.



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CHANGE TO STAY RELEVANT

The implications are huge and at times overwhelming. The pressure to get things right is greater than ever, warned a delegate. “Just one act of incompetence can spin off into serious repercussions for an organisation.” Indeed, he pointed out, a single serious ethical blunder could result in an Arthur Anderson/Enron extinction catastrophe. On the other hand, look at the way Uber and Airbnb have changed traditional business models.”

All of this disrupts the traditional way of doing business and impacts on the need for accountants to remain relevant.

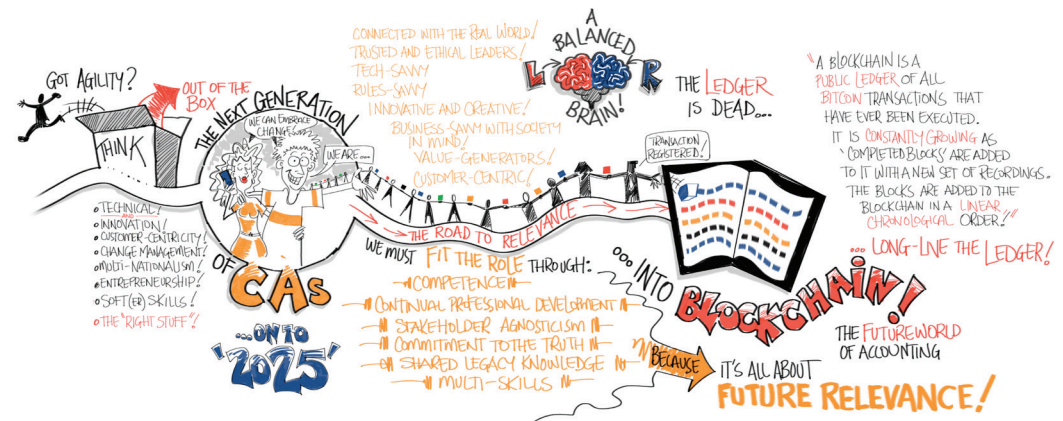


Another delegate notes that:

pp Chartered Accountants hold at their core ethical behaviour and the need to continue to demonstrate ethical values including having a social conscience at all cost. But methods of engagement will need to change in a climate of high unpredictability. Much of the future will be shaped by the United Nations Sustainability Development Goals and their targets. dd

The Future CA 2025 debate

This from a young chartered accountant intimately involved in rapidly advancing technologies. Responding to a query on whether or not the future chartered accountant is doomed, he postulated: “What we’ve seen globally is a consensus network of what we call block-chain and a layer of automation – which will have an impact on the current skills set of chartered accountants. At the same time, he stressed that basic technology skills did not and would not go far enough. “Future chartered accountants must get to know how new technologies work and what relevance these technologies have on business. In particular, they need to be familiar with anomalies and how to investigate the anomalies inside these new systems – this will only come from having an underlying understanding of basic principles. A consensus network will need to understand how all this works. It has to agree on both sides.



On top of this, there is still going to be a requirement to apply professional judgement. “Will you have to know all the technical stuff to be able to check the machines? If you are an accountant in 2025 you will be irrelevant without understanding the basic technical principles – certainly if you are looking at listed companies.

Future chartered accountants will need to be both technically and technologically skilled. You will need the younger chartered accountants to be exposed to new technologies as it applies to each and every part of business including accounting and reporting. They won’t just be working with data Excel but with very complex numbers.”



pp The industry is not doomed as long it is aware of such challenges and reacts to them. dd

The Future CA 2025 debate

An academic noted that calls are frequently made for multi-skilled and well-rounded chartered accountants, and that there is too much generality about what constitutes appropriate competence. While she suggested that there is clearly a need for change, she further indicated that the accelerating change, including that related to technology in the accounting/business world is hastening the onset of so-called professional obsolescence, which further exacerbates the situation.

Therefore, accounting professionals (newly qualified and existing chartered accountants) will require an augmented capability armoury. To mention a few:

- broader exposure to business and development of business acumen;
- critical thinking skills;
- problem-solving in an increasing complex environment;
- emotional quotient; and
- enhanced communication skills.

A CAW delegate agreed, but added that unless the chartered accountancy profession retains an underpinning of ethical leadership, refinement of its members’ capability sets will come to naught.

pp It goes without saying that the role of the chartered accountant is changing – a phenomenon with which the accounting profession is familiar, since it has already evolved. The overriding challenge now is the agility with which the accounting profession worldwide can respond to the changing needs of business. dd



Who should lead this change?

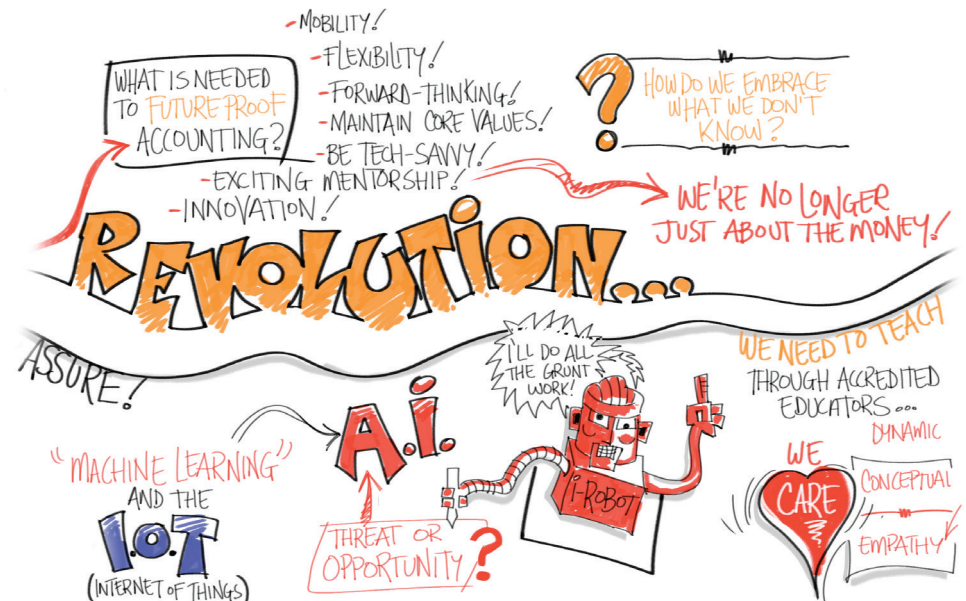
“It has to be the responsibility of each individual / chartered accountant. I don’t believe that only the professional bodies should be responsible for driving the change. The accounting profession is so varied, so diverse, that you can’t only have one direction of travel. Once these new professionals are qualified, they are going to head off into many different directions. And they have to remain relevant, no matter what direction they take – whether it’s with enhanced technology skills, entrepreneurial skills, in big business or creating jobs in small businesses. Chartered Accountants must establish a foundation which will enable them to add value and make a difference within our society. That’s what has to happen.”

It was an admonition that prompted an exhortation to think about a world of lifelong learning, with a focus on skills that include entrepreneurship, leadership and ethics. “Importantly in this context is that we don’t have difficulty in finding the best; we are already attracting the bright minds.”



pp We are capable of changing the world. dd

The Future CA 2025 debate



THE EXPECTATION GAP

The accounting profession is constantly accused of delivering entry-level CAs who are not relevant to their work places. Discussing the expectation gap, a delegate asked whether, when the modern audit was conceived in the 1840s, it was to express an opinion of the numbers or if it was to detect fraud.

“Technology today is creating a separate but similar expectation gap, because we no longer do statistical sampling but look for and test the anomalies. You could therefore transport the value of the account of the auditor to the owners of that business and perhaps to the wider stakeholders.



“That takes the profession to be brave, because as you start having this conversation, the lawyers get their hands on it and say they can’t possibly agree with that; they are fearful of the liability risk here. But it could be transformational if we think in those terms. With technology today, if we as a profession have the courage to change, we will have the opportunity to deal with the expectation gap.”

pp *Doctors save lives; we protect livelihoods.* dd

The Future CA 2025 debate

Was the delegate concerned that the profession could be left behind? “Yes; everyone is concerned as to how successfully we meet the challenges. By 2025, the Big Four could include Google Finances or Apple Audit. There is a real risk. They may not be the people or the names that we know today.”

Asked to outline a best-case scenario, he predicted that although it would look quite a lot like it does today, there will be a great deal more technology in everything we do.

“Block-chain, if it can realise its potential, is going to turn what multinationals and corporates do upside down. Ledgers will disappear. It could require far fewer accountants than today, but those required will need to operate at a higher value level. There will, of course, be new things in which we will engage because this is going to be one of the biggest security opportunities. The profession is in the position to be a very important safeguard for industry and governments around the world in terms of those protections, because while people in this room will be doing wonderful things, there will be millions of people around the world trying to break the encryption.

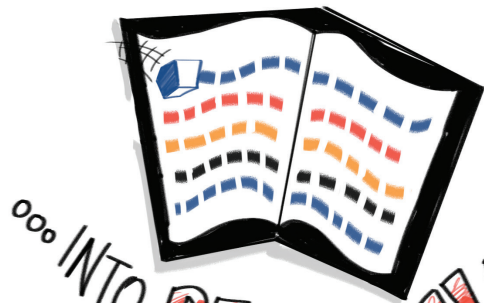
“Block-chain hasn’t been cracked since 2007 – yet.”

“A BLOCKCHAIN IS A PUBLIC LEDGER OF ALL BITCOIN TRANSACTIONS THAT HAVE EVER BEEN EXECUTED.

IT IS CONSTANTLY GROWING AS ‘COMPLETED BLOCKS’ ARE ADDED TO IT WITH A NEW SET OF RECORDINGS.

THE BLOCKS ARE ADDED TO THE BLOCKCHAIN IN A LINEAR CHRONOLOGICAL ORDER.”

... LONG-LINE THE LEDGER!



... INTO

BLOCKCHAIN!

THE FUTURE WORLD OF ACCOUNTING

IT'S ALL ABOUT

FUTURE RELEVANCE!

”

A block-chain is a public ledger of all bitcoin transactions that have ever been executed. It is constantly growing as ‘completed blocks’ are added to it with each new set of recordings. The blocks are added to the block-chain in a linear chronological order. It’s the future world of accounting. It’s all about future relevance.

”



The Future CA 2025 debate

A delegate identified the ultimate challenge to the accounting profession as ensuring that chartered accountants possess, and are capable of demonstrating, the competencies that are expected of them by employers, the profession, and society at large.

An academic responded that research spanning more than two decades indicates that although the technical competencies of graduates are no less important today than they were in the past (and they continue to demonstrate their technical competence from early on in their careers), graduates still leave universities without having understood or mastered the majority of the “softer” skills their employers require them to demonstrate. And as these needs change, so do their views as to what constitutes auditing/accounting competence and the manner in which such competence should be demonstrated.”



pp In the process of leading the way to attract people to the profession, we must be flexible, though not so flexible that we lose our core values. dd

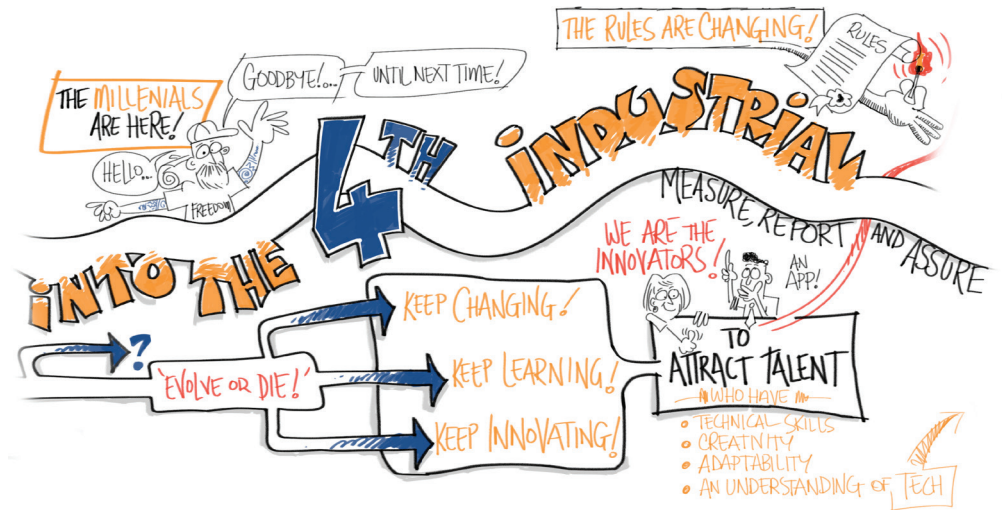
The Future CA 2025 debate



PRINCIPLES, ETHICS, CPD

Principles versus rules were keenly debated. It was widely recognised that accountancy profession is seen to be an ethical profession. Ethics are founded on principle, however, too much focus has been placed in the past on applying the “rules”. It remains important that we go back and reinforce some of our core principles.

What exactly does that mean in the domain of social business?



“We’ve spent a long time talking about young people and what they are going to do in 2025. Early on it was mentioned that the chartered accounting profession has over 640 000 members. These are the people we should be thinking about – not only the young members. If we segment those who are in their late 20s, bear in mind that those who were closely involved in the financial crisis were not the 25-year-olds but the older members.



“If we go back to one of the core principles of being a professional chartered accountant, one of them is about being competent. You must prove yourself to be competent and the only way you can do that is by taking responsibility for your own learning and development. The problem is not with the young people; the problem lies in the 400 000 to 500 000 members around the world who do not have access to relevant learning opportunities that allows them to go into some of the areas we have been talking about this morning. The institutes can help promote that.”



Still on the training issue, a delegate cautioned against audit professionals being left behind. “Accountants are likely to have a 30-year plus career. If they don’t have the ability to learn, unlearn and relearn after they have qualified, they may very well become irrelevant. Future professionals must appreciate that their university careers, and even their training contracts, are only the foundation of what they are going to have to do for the rest of their professional careers. Unless we can get young professionals to embrace that concept, they will become irrelevant.”

“They have to accept that they are in a period of dynamic change. We’ve had fundamental change in our profession in the past 40 years. As in the past, it is not impossible to adapt; it’s just a question of how we do it. We need the infrastructure to help them and they need the attitude to embrace that change.”

INTEGRATED THINKING

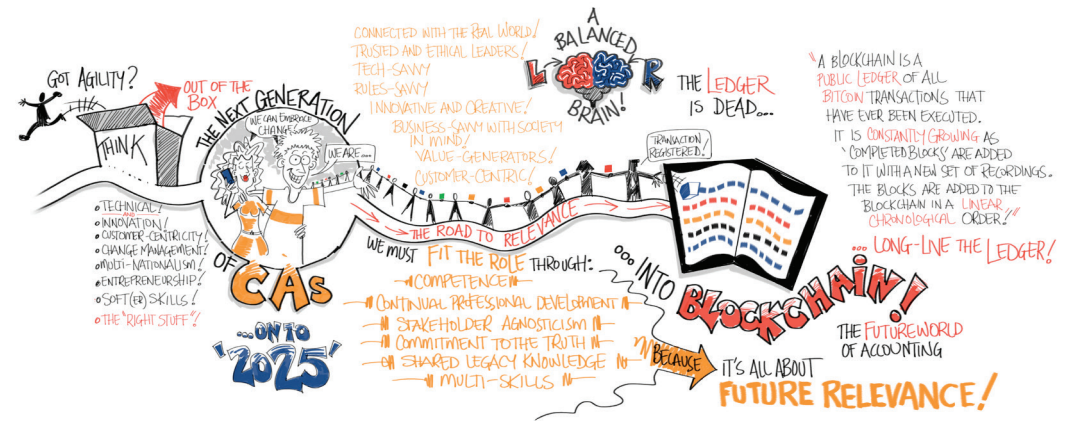
Unsurprisingly, given its topicality, integrated thinking was discussed in the context of accounting not only to business but accounting to society.



“There is so much opportunity for accountants to get involved in a bigger picture – how we use our knowledge and skills sets to understand and communicate the changes that are coming. I am talking of doing so on a much broader level – like sustainability of the environment (what’s happening to our water supply, to the environment at large, to the society in which we are working). All of that has data and numbers behind it, suggesting that we have a huge role to play in helping to make it all work.”



Another delegate added: “The importance of trust underpins what we are trying to do. As a profession we have been complicit in some of the worst business practices in the history of capitalism at the altar of EBITDA, EPS and all that kind of stuff – all in the name of short-termism. Also, we have persisted ad nauseam in reviewing and signing off annual reports which are meaningless. Ninety percent of the nature of a company is not in its financial statements. Research has shown that 80% to 85% of the company is not there. We need to look more closely into integrated thinking before we contemplate the future.”



IN BRIEF

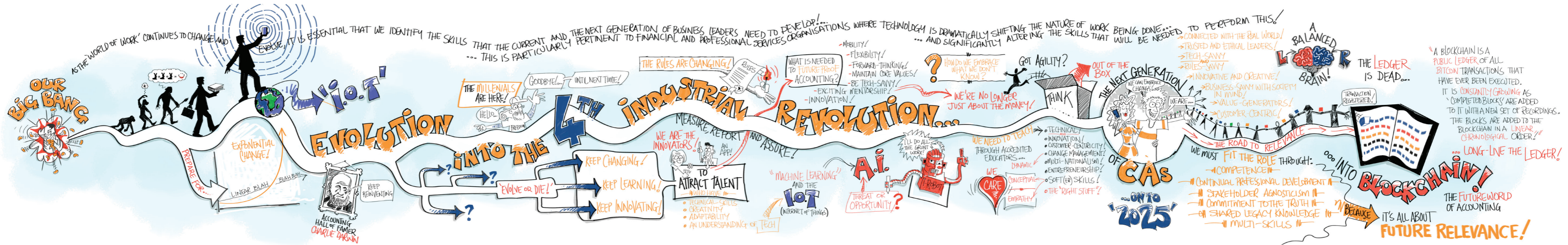
The ultimate question: What role can the profession play in building business confidence in the future?

The ultimate answer: Learn, unlearn and relearn in order to stay relevant.

Pat Costello, the CAW's chairman, concluded the debate on an optimistic note: "In the wake of what we have heard today – in particular, the conclusion that technology, entrepreneurship and communication are critical skills – we should have great confidence in our ability to rise to the challenges."

THE END





CHARTERED ACCOUNTANTS WORLDWIDE

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For more information contact:

info@charteredaccountantsworldwide.com
www.charteredaccountantsworldwide.com

- twitter: @chartereddw
- facebook: @chartereddw
- linkedin: Chartered Accountants Worldwide

