

Accounting in the Future

by Joseph Masterson

No one could have foreseen how exactly the first year of the new decade would start and there is always an inherent level of uncertainty when discussing things to do with the future. For businesses and professionals, uncertainty leads to risk, Accountancy as an industry by its very nature, is exceptionally risk averse. Uncertainty makes it difficult to chart a course for businesses and professionals and that is why it is so disliked. No truly successful business is built on consistently being on the back foot and reacting to change instead of being the ones to drive it.

What we might expect

It is impossible to discuss any level of changes that may be anticipated in the coming decade without mentioning the most significant of them all, technology. It is an ever-growing part of our everyday lives and this is even truer for businesses where it provides a competitive edge for companies. Even those thought of as more traditional goods and service providers have felt its impact on their way of doing business, further heightened by Covid-19 implications.

Though there has always been much speculation around the extent that technology would impact accounting it would be foolish not to acknowledge that the changes in the coming decade will be more significant than those in the last. If technological developments were graphed, the line it would trace would be curved upwards rather than a straight line, meaning that the more advances we make the faster technology develops and this will certainly apply to its implementations in the workplace. If this is still somewhat unclear, then think of it this way.

For the majority of human history before 1886, when the first modern car was invented, horses and carts were the primary means of transport up to that point and yet 80 years later it was possible to land on the moon. It is likely however, that despite the many changes we saw in the previous decade regarding technology and the accountant, these will lead to even more in the coming decade.

Though that is not to say these developments will be dramatic and immediately impactful. Rather a gradual development.

Several predictions have already been made regarding accountancy in the coming decade. These include predictions such as increased use of smart technologies replacing more traditional means of work and cloud software, further supporting the trend of outsourcing services. Increased intergovernmental tax action on regulations and disclosure rules and a focus on standardising accounting practises internationally are also predicted. A shift in stakeholder focus regarding corporate social responsibility (CSR) in businesses so that they will be considered alongside general economic issues in importance is also anticipated.

In a recent Journal of Accountancy¹ article from December 1st 2019, the possibility of robotic process automation (RPA) becoming increasingly integrated in the profession is discussed. RPA's, are a form of AI/smart technology that contrast to traditional workflow automation tools in that they do not run off a set script that a programmer has given them to perform tasks but rather learn from watching the user perform the task on their user interface and are capable of using multiple applications in repeating a process.

The use of AI in accounting has been something widely speculated for many years. In a 2016, further developments in the field of AI were

predicted to lead to a reduction in the number of graduate recruits for accounting firms by 2020, this has not proven to be the case though the initial steps towards its integration may be attempted within the decade they are equally unlikely to reduce the level of graduates amongst firms.

Furthermore, 5G and Wi-Fi 6 networks are both anticipated within the next 2 years and are expected to enable RPA's adaption. 5G technology allows data transfer up to 100 times faster than current 4G with little to no lag time, allowing for real-time data transfer. Wi-Fi 6 allows for data transfer three times faster than current Wi-Fi 5 and for more devices to be connected to a single network. Given the significantly increased level of data transfer these technologies can enable. This in turn helps power deep learning for AI bots to automate large amounts of repetitive accounting work, thus free more time for accountants to focus on their advisory role to clients.

Impact on Key Service Lines

Auditing service line

Technology, such as computer assisted auditing technologies (CAATs) have streamlined many of the more routine tasks for auditors and will continue to do so into the coming decade. For auditors, this means they may begin to see the implementation of RPA's taking over from CAAT's, as a means to this end. With CAAT's, part of an auditor's job changed to monitoring such systems, alongside more hands-on auditing work carried out in person. As technology

¹ <https://www.journalofaccountancy.com/issues/2019/dec/robotic-process-automation-for-tax.html>

develops further and with additional strides being made with use of RPA's, the number of auditing tasks that become fully automated will similarly grow. Auditors may find themselves working alongside such software, where they are implemented, in a co-worker capacity when performing tasks rather than monitoring them.

With technology enabling increasingly more remote communication, auditors may find their level of interaction with clients declining, though not outright disappearing, thereby enabling auditors to work with clients from an even larger geographical base. However certain audit tasks simply require direct interactions, such as obtaining reasonable assurance over client assertions where data from auditing systems may contradict such.

Financial Accounting service line

Technology has played a significant role in changing the work of financial accountants. It is now quicker for clients to produce information required to create financial statements.

It has also streamlined the recording of this information, thereby making it easier to trace through the various books and ledgers. Future developments may allow entirely automated production of financial statements and movement towards a global accounting standard will facilitate this. The work of a financial accountant will adapt towards offering external checks on financial statements, ensuring presented statements include the correct checks, balances and formatting before presentation to auditors.

This frees up accountants to expand into advisory roles for those clients for whom they worked on financial statements. Many accountants currently find themselves already fulfilling this role and it will see the largest growth as a service in the coming decade. Advisory services are the least impacted by technological developments, relying predominantly upon an accountants' own competencies and financial knowledge to provide advice, rather than what data an automated system produces.

Such systems however will change how the information used in forming the basis of their advice is received and facilitate the ability to offer real-time, rapid responses to client's needs as they emerge.

Conclusion

The coming decade will see the continued fruition of changes that have already taken root reach their full potential and predictions on future changes will show their initial signs of emerging and becoming part of the fabric of the profession. Technology will continue to be a growing factor to consider, playing an increasingly significant part in the work of accountants. Developments will predominantly focus on the automation of simpler and more repetitive tasks initially before expanding into increasingly more complex and advanced roles. This thereby frees time for accountants to focus on developing their roles as trusted business advisors. Within this role, accountants will have to go from tech competent to tech savvy as clients become increasingly reliant on smart technology, functioning as both financial and business tech advisors.

Client engagements will focus further on building lasting business relationships, akin to partnerships, in a path towards becoming trusted advisors. This will become the unique selling point for many firms. Overall, it is clear that whatever changes emerge, accountants must remain committed to being adaptable, flexible, open and pro-active to change.



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