

Transformation of accounting & audit in digital economy



VCAA 2019
Ho Chi Minh City

SMART TRAIN
Professional Education



Contents

- Drivers for change
- Role of CFO
- Impact on accounting
- Impact on audit
- Way forward

Key external drivers for change

Institutional and systemic

- ▶ Globalisation
- ▶ Geopolitics
- ▶ Regulation

Social

- ▶ Demography

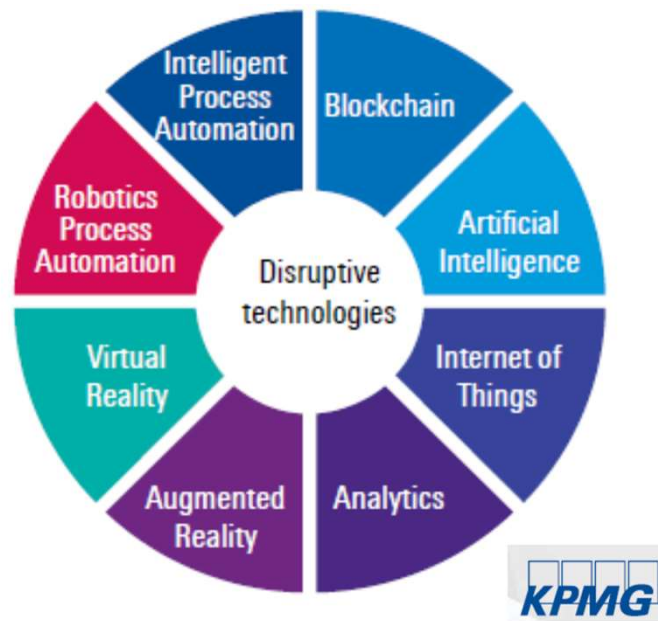
Market

- ▶ Consumer empowerment

Technology

- ▶ Digital technology
- ▶ Automation

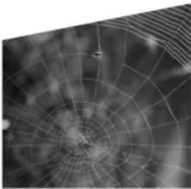
Disruptive technologies



Key internal drivers for change



High data-entry
volumes



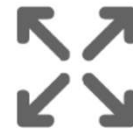
Compliance
and
control
requirements



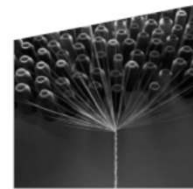
Significant
rework



Numerous
manual
processes



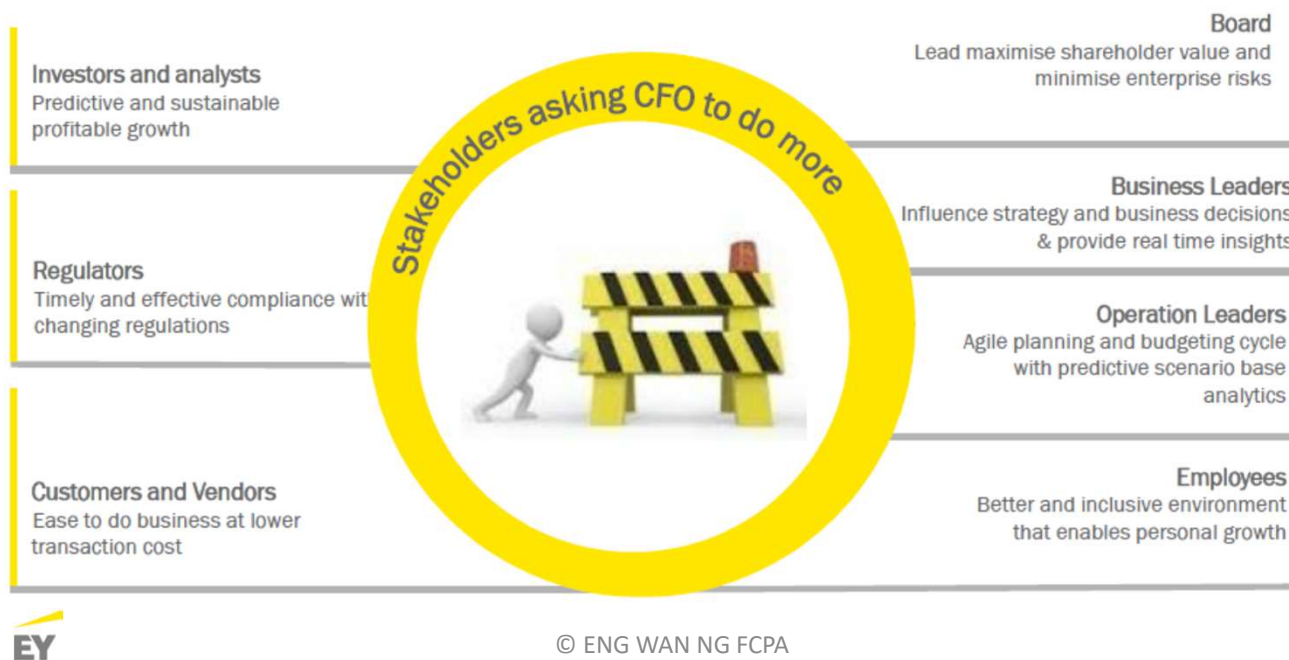
Multiple
disparate
legacy systems



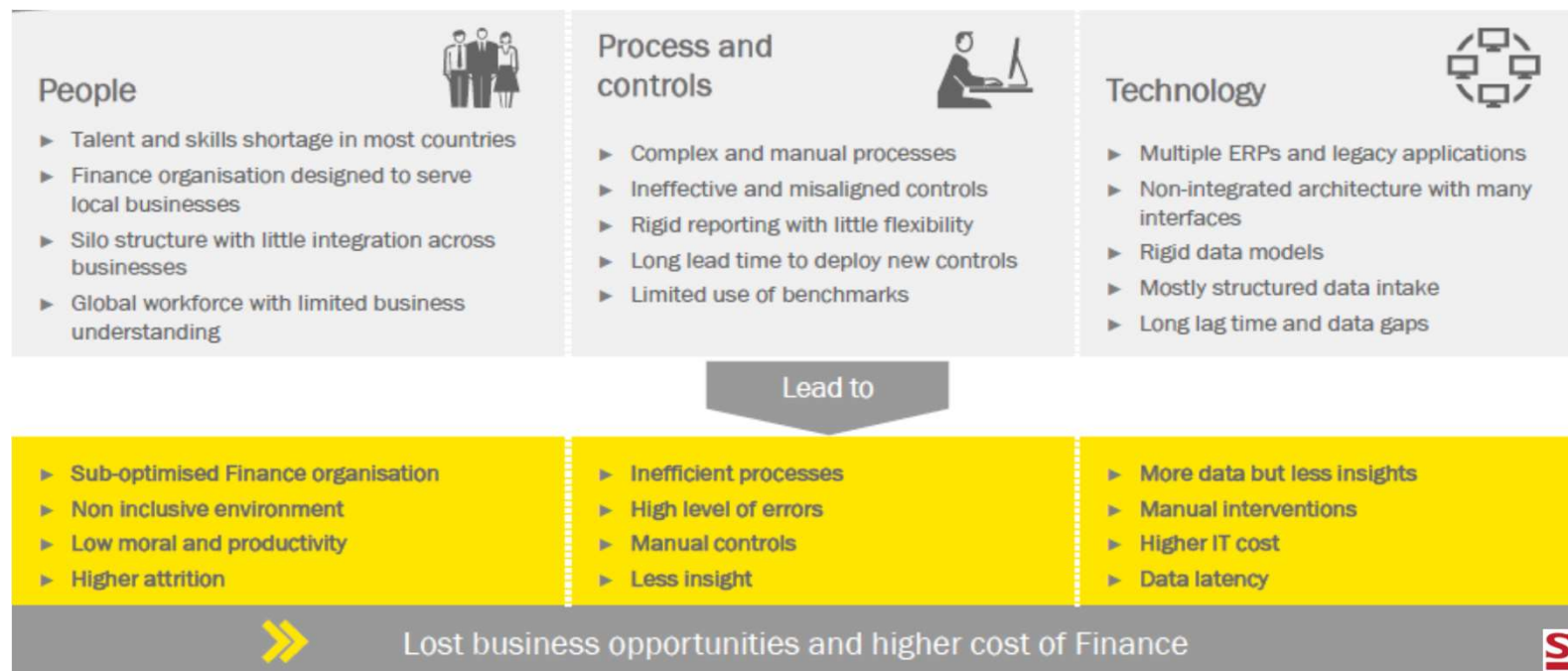
High turnover
due to
repetitive or
low-value-
added activities



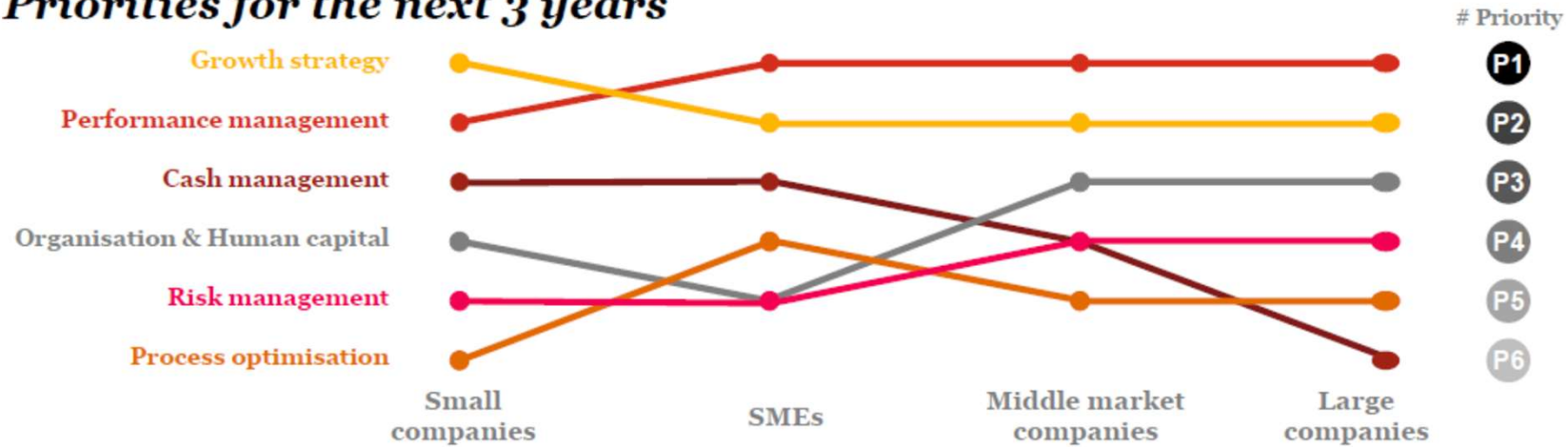
Stakeholders' changing expectations



Key challenges & constraints



Priorities for the next 3 years



PwC Survey • Chief Financial Officers – Priorities in 2018

10

Key CFO priorities for next 3 years

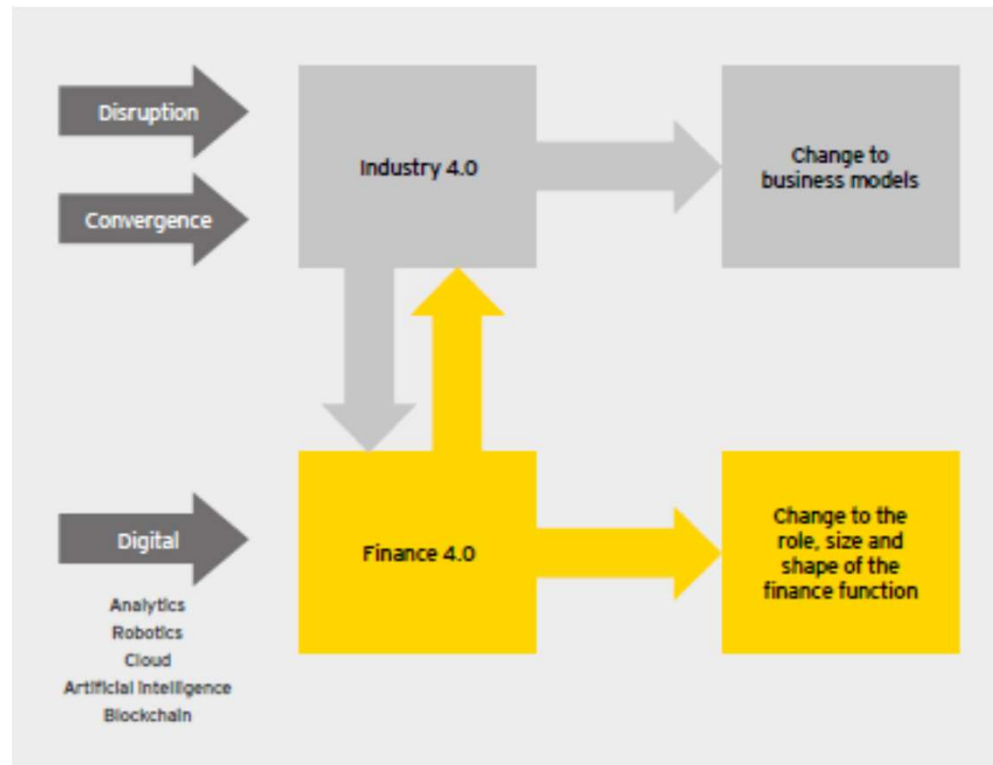
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**Are today's CFOs ready for
tomorrow's demands on finance?**

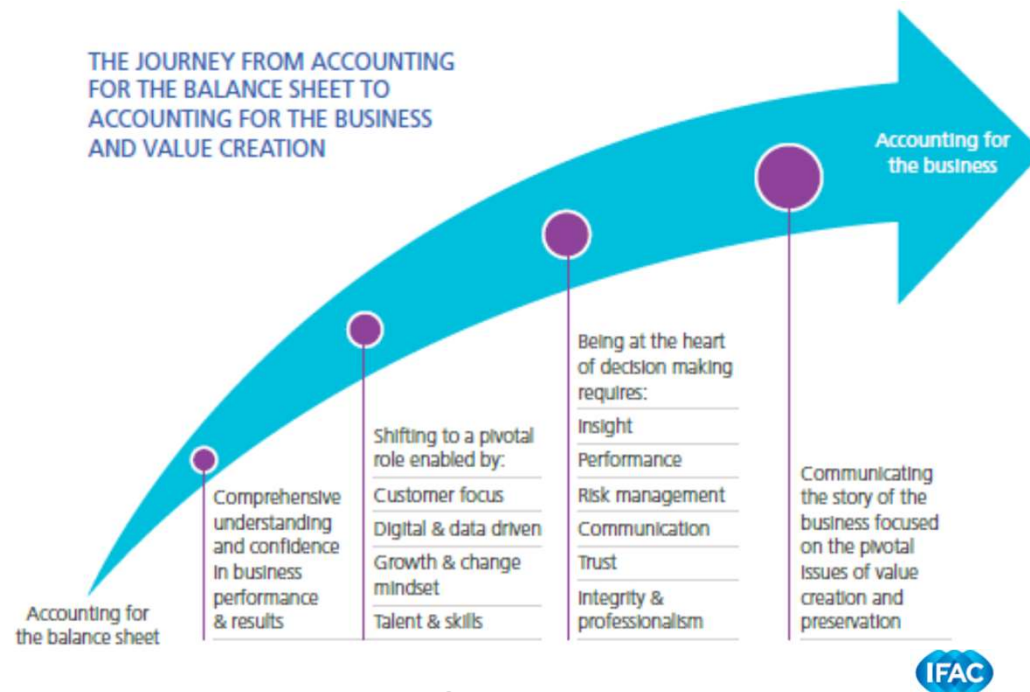
From Industry 4.0 to Finance 4.0



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Shifting from accounting for balance sheet to business



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The current finance team



The finance team is largely focused on:

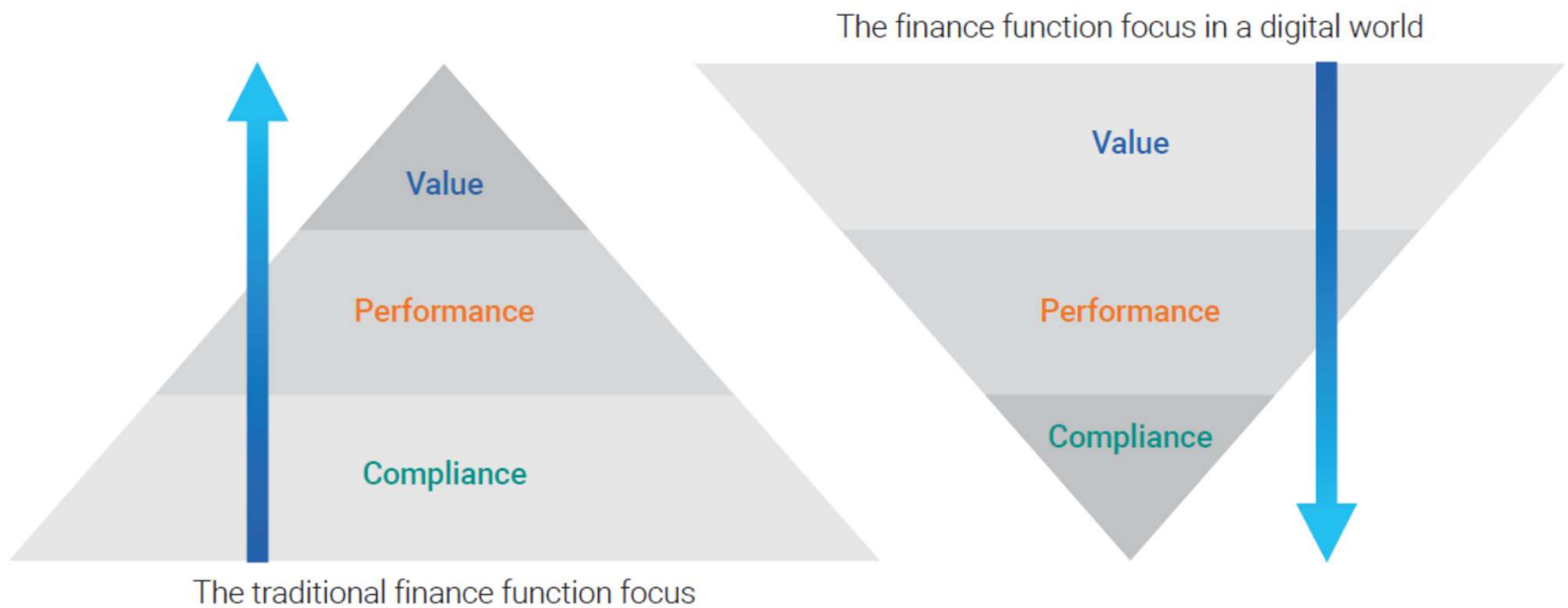
- **Protecting value** (cash flow, financial health, assets)
- **Oversight** (control and manage) and **Hindsight** (post event review)
- **Reporter**: Reports, standards, and compliance
- **Self contained** vertical structured team

The future finance team

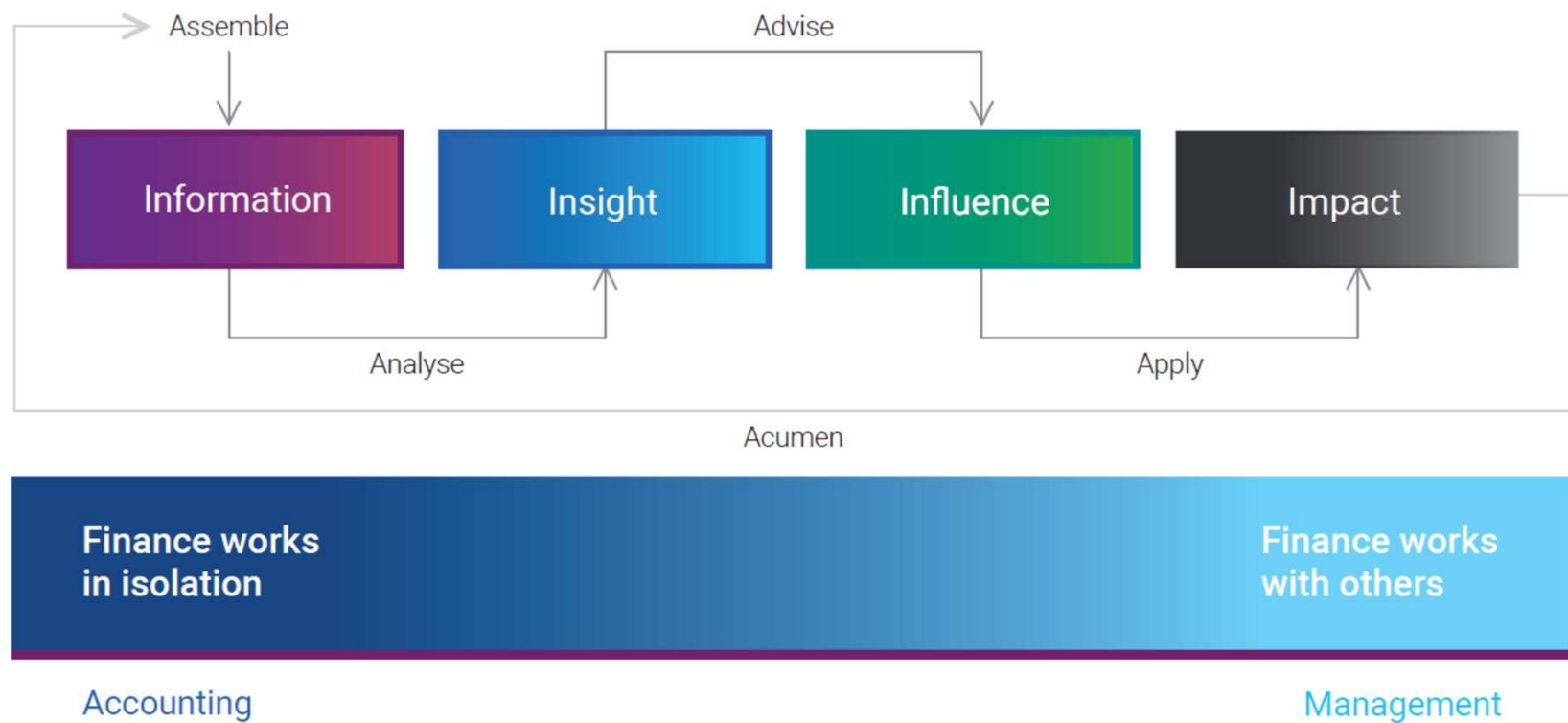


- The finance team needs to evolve to include:
- **Creating value** (value creation)
 - **Insight** (trends, risk, customer behavior, analytics) and **Foresight** (to predict)
 - Role as **business partner**, including strategy, business decisions, IT, operations, and data analytics
 - **Storyteller**
 - **Matrix** team

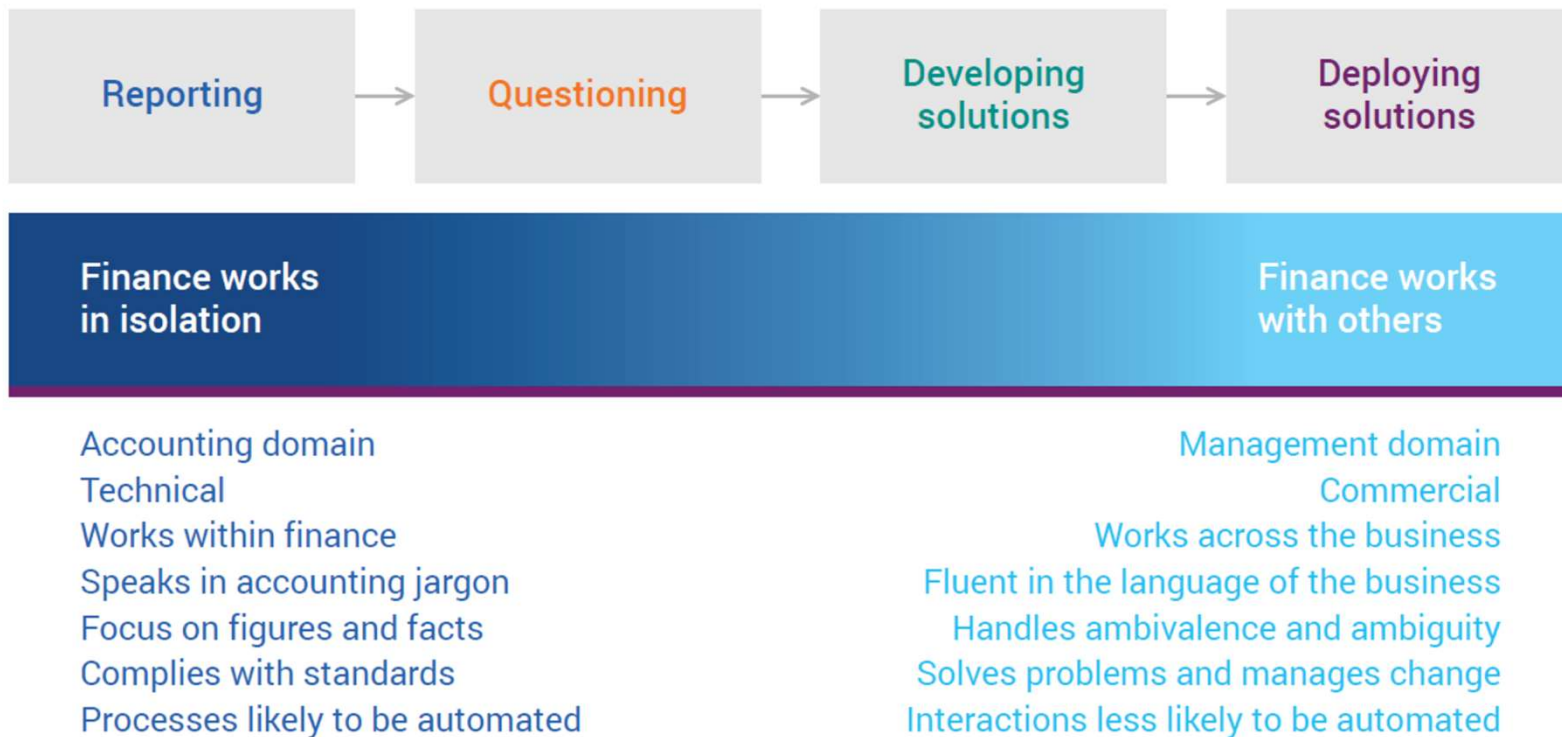
Finance focus pyramid



Finance activities – from information to impact



Skills transformation



Key digital skills & mindset

Basic digital literacy

To work in a digital environment

- ▶ Information treatment
- ▶ Digital communication
- ▶ Digital content creation
- ▶ Safety
- ▶ Problem-solving

Technology know-how

Where deeper expertise is required

- ▶ Cloud computing
- ▶ Privacy and security
- ▶ Data analytics
- ▶ New business models

Mindset and behaviours

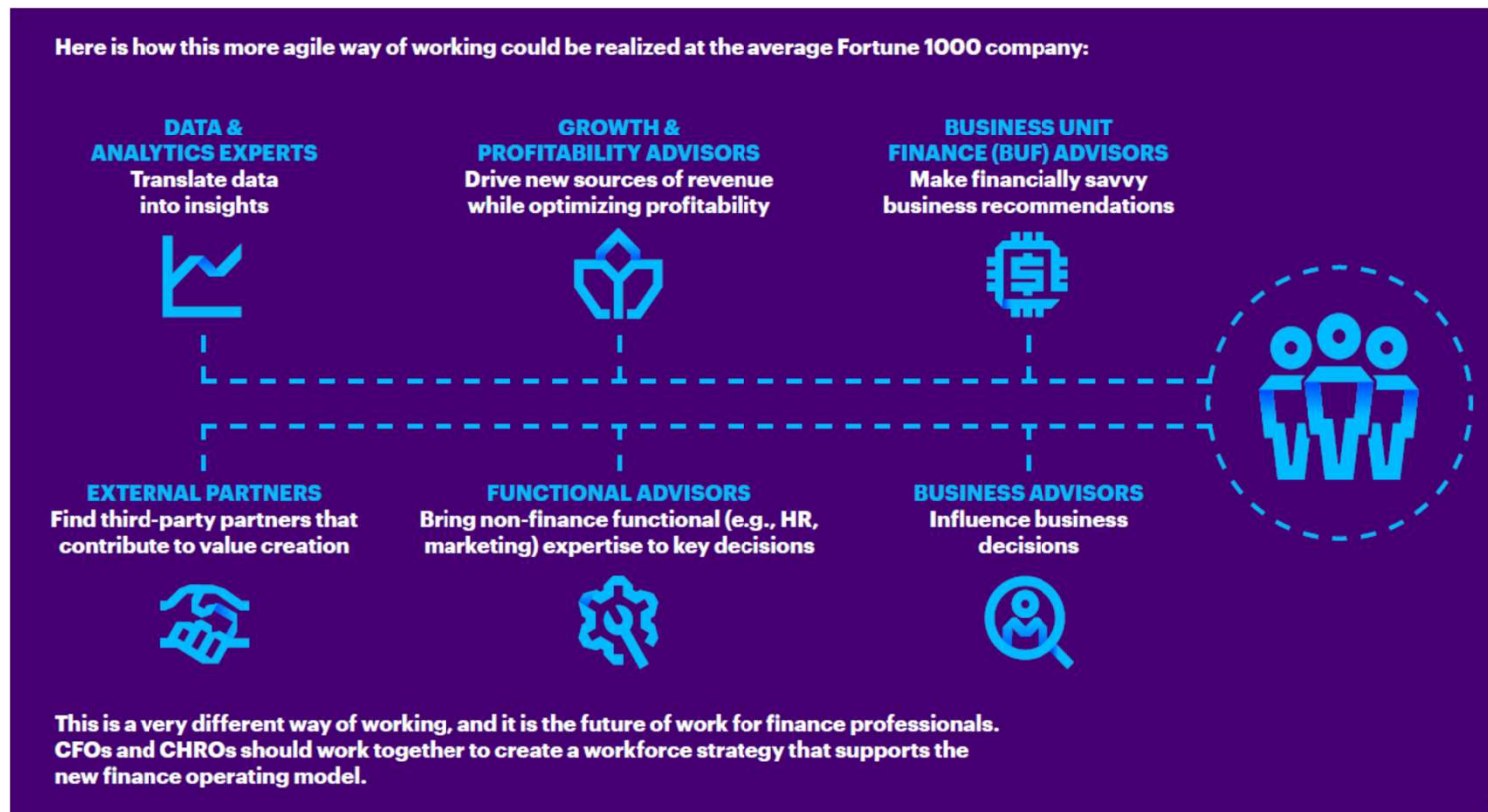
To succeed in a digital environment

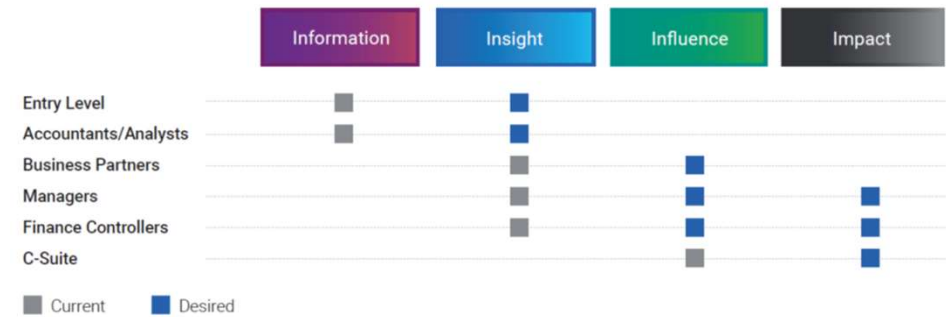
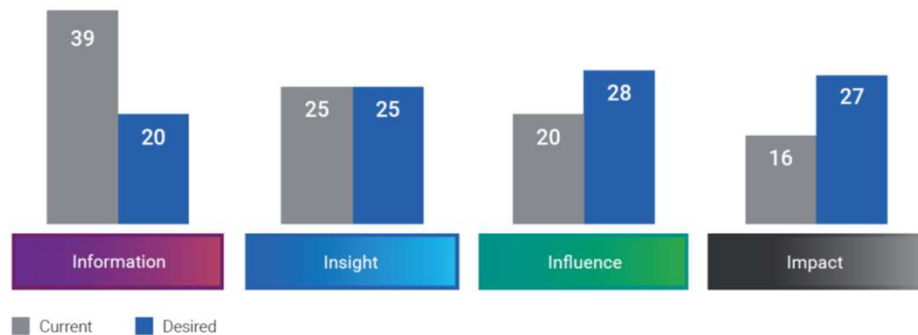
- ▶ Dealing with complexity
- ▶ Working in an agile way
- ▶ Creativity and imagination
- ▶ Lifelong learning (learn, unlearn and relearn)

Digital finance functions : work re-imagined



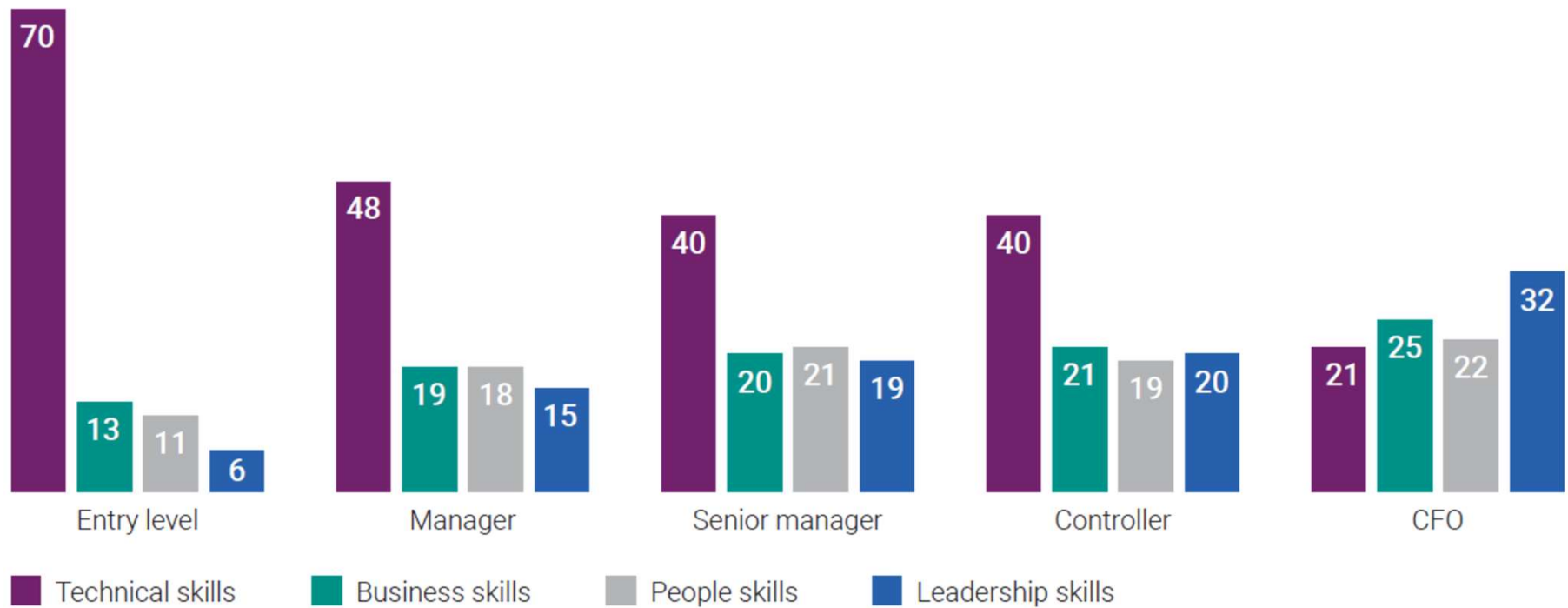
Designing an intelligent finance function





Finance activities – current versus desired

Competence & skills in a digital world



Impact of Digitalization

Audit



How audit can respond to changes in clients as they drive digital innovation



How to audit new technologies e.g. data analytics, robotic and artificial intelligence, blockchain?



How to apply digital technologies in audit processes to keep up with audit quality, increasing audit costs, client's expectation for value for money service?

3 main digital trends impacting audit



Data analytics



Robotic & artificial intelligence



Blockchain

Data analytics

- ✓ Transactional data
 - More central and harmonized (group/regional) audit approach to respond to shared service centre, outsourcing/offshoring set-up
 - Move from sample-based testing to 100% data population testing
- ✓ Cloud based system
 - Integrate more cyber-security capability in audit
- ✓ Big data
 - Acquire knowledge & solutions to audit big data

Robotic & artificial intelligence

✓ Robot

- Gain technology understanding to audit robot software to assess reliability of data processing carried out
- Audit-robot?

✓ Artificial intelligence

- Apply A.I. in audit process e.g. read and interpret evidence, work with accounting standards
- How artificial techniques develop are still uncertain, but changes upcoming

Blockchain

- ✓ Blockchain is not yet fully proven and generally accepted
- ✓ Need to conduct audit blockchain supported transactional process yet to be answered & audit profession needs to form an opinion in anticipation
- ✓ Risk of cyberattack on blockchain is increasing and regulations will be defined along the way

Illustrative audit coverage



Process/system identification

inventory of processes & systems using new technologies



Risk control matrix update

update risk & control for each process



Reporting

control effectiveness & compliance status



Auditable entities & risk assessment

impact of processes & systems in the risk assessment



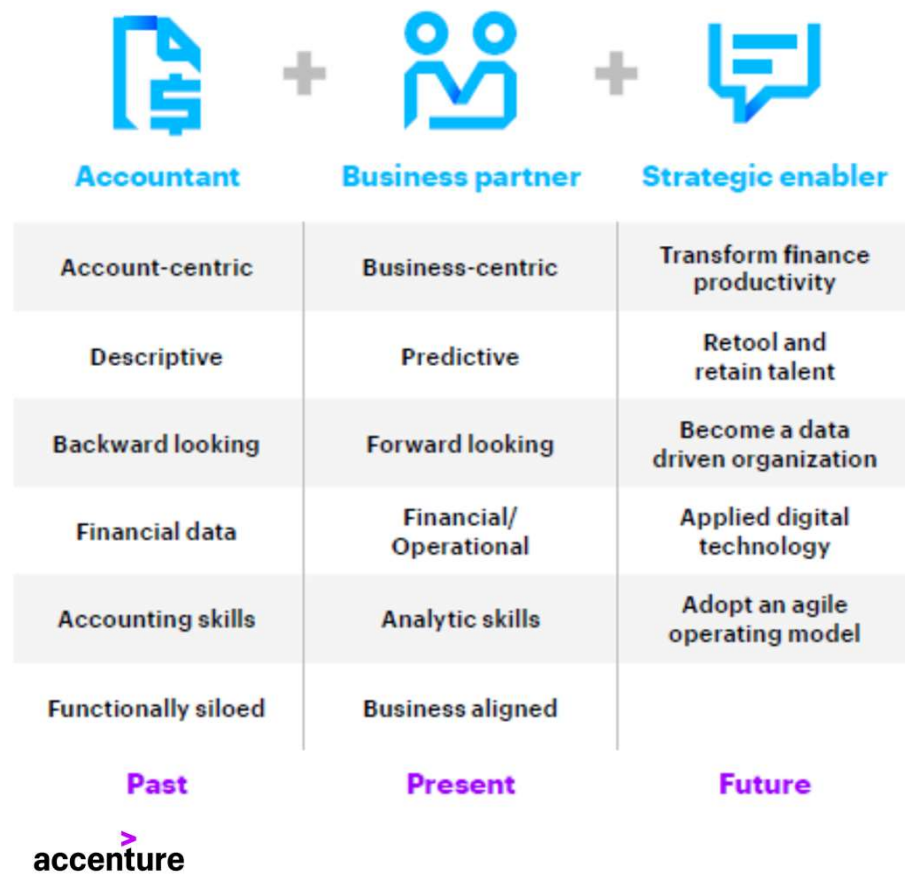
Audit procedures update

expand scope & depth of audits



Are you
ready?

3 hats of a modern CFO



Essentials for digital transformation

Leadership

- Lead, be committed to changes, set up clear roadmap

Culture

- Create culture that seeks more experimentation, innovation & progress

Skills

- Good knowledge of technology, data science & deep understanding of business

Engagement

- Have an engaged & inspired team

Call-to-action in digital economy

- **Individuals**

adopt & adapt new skills & knowledge
(upskill)

- **Academia**


align what is taught vs what tomorrow's
accountants/auditors will do

- **Corporations**

set the tone at the top to embrace new business
model to compete in disruptive market

- **Professional bodies**

be part of the solution by advancing new
competency with training & education



“So what should we tell our children? That to stay ahead, you need to focus on your ability to continuously adapt, engage with others in that process, and most importantly retain your core sense of identity and values. For students, it’s not just about acquiring knowledge, but about how to learn. For the rest of us, we should remember that intellectual complacency is not our friend and that learning – not just new things but new ways of thinking – is a life-long endeavour.”

Blair Sheppard
Global Leader, Strategy and Leadership
Development, PwC



Thank you