

NEW HORIZONS FOR ACCOUNTANCY





NEW HORIZONS: FRESH PERSPECTIVES

AuditFutures Session at the 2014 World Congress of Accountants in Rome

In November 2014, Rome hosted the 2014 World Congress of Accountants. Dubbed by some as the “Olympics of the Accountancy Profession”, the Congress is organised by IFAC only once every four years and attracts thousands of professionals from across the globe – more than 6,000 delegates from 134 countries attended the 18th World Congress of Accountants in Kuala Lumpur in 2010. IFAC has 179 members from 130 countries and it is an honour and a privilege that ICAEW’s AuditFutures is one of the very few initiatives recognised with a dedicated panel session in the programme of the congress. We have been invited to share our thinking and ideas and to engage the global profession in a discussion about the new horizons for the profession. In addition to discussing our latest achievements and insights, we brought new perspectives to this world forum.

Over 300 people packed the large auditorium at Parco Dela Musica in Rome and took part in discussion on the new horizons for accountancy, led by panellists with quite unexpected backgrounds and experiences. Multi-disciplinary approach is our hallmark and our panellists reflected that: Dr Nick de Leon is an engineer and designer, Brett Scott is an activist and journalist, Dr Ivan Krastev

is political scientist and Lee Bryant is an organisational strategist. These four people brought new disciplines, new skills and new perspectives to change our thinking. Their messages were framed by ICAEW’s executive director Robert Hodgkinson, who chaired the panel: the world is changing, society’s requirements are changing, and the profession needs to change too – here’s your opportunity to be the change you want to see.

We used this phrase ‘new horizons’ because horizons is about looking up, about looking what is on the horizon. Of course, it is very helpful to look down, so you don’t trip or don’t fall in a hole. But if you spend all your time looking down and not look up the horizons, you might not go anywhere or go in circles. You might find that you’re missing some huge opportunities. What we did with this session, is to encourage us to look at new horizons. And in doing this, we want to bring some fresh perspectives to bear. These are not the only fresh perspectives but it will be helpful to hear what these four people had to say and react.

MAKE HISTORY

➤ Nick De Leon

Making history to me is quite intriguing as one of the key things about the 175-years-old RCA where I teach, is to have a number of provocateurs over the years. It has made history. But we are not made by history, our role is to make history. And this is something that I want to reflect on, when we think about accountancy. Are you made by history or are in the business of making history? Are you responding to change of regulation, are you responding to where regulation has failed? Should the profession work in such response mode or should it take leadership and be proactive in the nature of changes. Because right now, we are going through a period of change.

My profession of design has changed, the medical profession has changed, the engineering profession has changed. Many people are saying that these changes are taking place because of tide of technology that has come. But I would say that the tide of technology is merely a sideshow. That tide of technological change is enabling something which your profession has to respond to. Globalization, empowered

citizens who recognise the importance not only of representative democracy but participatory one. Social media is changing the nature of whose voice is making a sustainable impact. All these trends have dramatic changes on the businesses, on the way leaders behave and even on the way we interact with businesses.

TAKE RESPONSIBILITY

➤ Lee Bryant

Many of these changes impact how we think about business and how business is conducted - primarily how businesses are organised. Business is an amazing power for change - both good and bad. But at its heart is the challenge of how you organise people, their labour and their creativity to create value. What is interesting from a historical perspective is that most of American and European corporate model is locked in a very old structural model. There is a corporate structure with a cascading hierarchy, departments, budget meetings, project managers and all this high cost of doing business. All this is the invention of the late nineteenth century, updated with Fordism and Taylorism in the early part of

the twentieth and solidified with enterprise, technology and IT from the mid-twentieth century onwards.

What I am interested in is how do we shift away from emphasis on process and post-factum regulation. Regulation is often a reaction to prior stupidity - when something goes wrong, we create another process so it doesn't happen again, and - lo and behold - it happens again. How can we go from that to a situation where we hire the right people, give them the right set of values and sense of purpose and join them together, in way that they can take responsibility - both as individuals and as a group - for the way the business is conducted successfully. This includes the accounting and ethical standards and the wider social purpose that society is demanding from business today.

Just as business is dramatically changing in the 21st century - getting better, getting cheaper, getting much easier to scale and grow on a global basis, so many of these changes we will see in the profession and these are good challenges to start taking responsibility.

QUESTION TRANSPARENCY

➤ Dr Ivan Krastev

In my book 'In mistrust we trust' I argue that there are two ways to hide information - one is by not telling anything and the other is by giving too much information. We live in times when the levels of mistrust towards institutions - both governmental and corporate - is very high. However, there is some paradox here - if you read the opinions polls, you will conclude that people don't trust anybody. At the same time, people interact online so, clearly, there is some level of trust there. The story is that there is a strong pressure that transparency by itself can create trust in society.

I believe that transparency is very important. The required disclosures on food and medicine labels, for example make people more powerful customers. But I am afraid that we are reaching a point where transparency is not treated as an instrument for better functioning world but as an objective by itself. Transparency should work for some different public interest. If we push out more and more regulation asking business for more transparency, we won't achieve something significant.

We are creating this illusion that we can make business more transparent and thus more accountable to someone who has no good sense of business. This illusion could backfire.

My challenge to accountancy is this: question transparency because we often have these tendencies to make objectives out of instruments.

EMPOWER ALL GROUPS

➤ Brett Scott

Reflecting on the 'new horizons', we often think about horizons as way of looking forward. Horizons have another very important aspect, to contextualise where you are. When I moved to London, I realised that you can never see the horizon. Basically, you can see a maximum of 50 meters in front of you. And while you can become a true master of your trade in London, you lose the context of where you are because you don't see the horizon. I see horizons as way of seeing yourself and where you want to get to.

There's a difference between the day-to-day practice and how you consider yourself and how the public perceives you. Certainly with quite a lot of the NGOs and civil society groups that I work with, there is a perception that the accountancy profession is too tight up with the corporate sector. Perhaps this is not profound news to anybody. You see this in the esthetics of accounting, you see in the language that it uses, So, one of the questions I have for the profession, going forward, is how do you change that image. I am not suggesting it should reject the corporate involvement, but how could you demonstrate that you are connected to other groups in society and represent their interests.

This is connected with the notion of the public interest. When I read a lot of accounting material, I constantly come across this concept of the public interest. It often seems that in this literature, the public interest is the same as investor interest, with a particular part of the public. It doesn't start with, let's say, the interests of employees, or the general public that buys products. So if we look at the new horizons and how to create a holistic accounting profession, we have to be thinking how to empower wider groups of society.

EMPATHISE WITH PEOPLE

➤ Nick De Leon

Regulation raises after failure but what it does it outsources our moral compass to the regulator. This impacts our values and the value creation. Are we easily able to exercise these values? Are we able to keep them on the front burner when we are also in a culture of compliance? Where we have engineered processes to a point that we are focusing too much on the compliance and the engineering of these processes. The big question is how empathic they are with the needs of the people they were set up to serve. As designers, we see the world through the lenses of human experiences. Trying to be empathetic with all the people that we are trying to serve - the customers, the employees, the communities. Are we still able to do that in a highly regulated world where we have created a web of regulation, which has effectively become a rule-book to lean back on.

BUILD NETWORKS

➤ Lee Bryant

What is interesting is that the way we see companies is changing. The external boundaries are changing - they are not necessary as clear as they were 30 or 40 years ago. Everything today is network based and network-driven to the extent that we are seeing companies are so close to their B2B supply chains, partners or external bodies in their markets, that they have permeable membranes between the inside and the outside of a company. I am personally very excited about this because networks, without doubt, are our 21st century superpower. And humans, connected with a common sense of common purpose, in a network, are capable of anything.

So, if you look at businesses from the point of networks, you can consider the health of the networks, both internally and externally, and that's when the question about their relation with the public starts to come in. I am not convinced that everything that the public says is always correct, nor that they have the perfect information or fully understand the business. When you can engage fully from the inside out and outside

in, what you do is create a level of protection for that business because if something goes wrong, enough people know about it, and can suggest remedies or ways of avoiding absolute catastrophe.

Looking at a business from a point of networks, both how they function internally and how they function with society at large, is probably the key to that challenge.

CREATE EXPERIENCES

➤ Nick De Leon:

How does your client create value for its customers? If you walk in an Apple store, the experience there is quite different from a local electronics store. Because this is how it was designed. At RCA, by designing services and experiences, we are in the business of helping business to transform the way they do things, and improve the quality of services they do. Part of that is to ensure that we can focus single-mindedly on what is the ultimate user experience that needs to be fulfilled and what are the processes, organisations and people that would allow that to happen. I also know that from the many years I've spent in business doing

stuff, that in the world of B2B, the only way to deliver more services is to find how they deliver value to their customers, capture that and help them deliver more of it.

How do you deliver value and live with a set of values? First of all, everyone within the organisation that engages with the client should look beyond the process itself and how they are delivering value for the client. Think about the opportunities to go beyond that, not just be compliant, and create some unique value of their own. They need to feel valued by the management. And their values, the values of the client and the organisation have to be aligned.

CLAIM THE PUBLIC INTEREST

➤ Dr Ivan Krastev:

We all like talking about the public interest, but the public interest is not something that is obvious. It is something that needs to be negotiated in the political process because there are different views, different benefits and risks. Part of the problem that I see with the accounting profession is that I don't see many accounting voices in this debate. You

can see accountants in court but not on on the television to debate what is possible and what is not possible, especially when you have this type of a crisis. Therefore, people could easily have wrong expectations about what can come out of regulation or how certain problems can be solved.

I think the professions - and this applies to all professions - have this obligation to take the unpopular position from time to time. There is this populous pressure and people talk in moral terms. People don't talk in terms of institutions, processes - they talk in moral terms. Such moralization of any actions makes any mistake to look like a crime. Some bankruptcies are crimes, some are not - this is the place for the professions to step up and make the distinction. Accountants need to do this not as businesses but as professional defendants of the public interest. If they don't do that, populist voices will dominate the definition of the public interest. And it will be a very distorted one.

- Full video of the session is available on our website:
www.AuditFutures.org/videos





TRANSFORMING THE WAY WE WORK

*Lee Bryant is passionate about using social technology to put humans front and centre of the way we do things in the twenty first century, and believes social networks, not bureaucracies, are the organising principle of the current era. He cofounded Headshift in 2002 to investigate new uses for social technology inside companies and organisations which became a leading international social business consultancy and was acquired by a US firm in 2009. In 2013 he cofounded a new company, POST*SHIFT, dedicated to exploring the intersection between new social technologies and new thinking on organisational structure and culture.*

The Accounting profession has a long history from ancient Mesopotamia and Egypt through Medieval Europe to Chartered status in mid-Nineteenth Century Scotland and then the formation of the ICAEW in 1880. The Institute was created as part of a drive to improve standards and build trust in the sector, which was expanding rapidly thanks to the industrial revolution and London's leading role in world trade at the time.

Looking back to the early days of the profession, trust and reputation were vitally important within professional networks of accountants, where each was supposed to be accountable for upholding standards and ethics. From the contemporary vantage point, where the audit business is dominated by large firms organised around 20th Century corporate principles, and with trust invested in brands rather than individuals, it is interesting to consider where modern technology and networked business culture might take the practice of audit in the future, and whether this future might have more in common with the profession's roots than we might think.

The audit process may seem like something of an anachronism in an increasingly digital, real-time world, but it plays an

important role in maintaining a reliable and trustworthy business environment in which shareholders, societal stakeholders, employees and trading partners can be assured that financial statements by a company are a correct and fair representation of their accounts. To achieve this, auditors must be independent and scrupulously honest; but an audit is only a snapshot in time, and they are not forensic investigators, so the process is not a guarantee against fraud or deception.

So how might this change, and what factors are driving the need for new thinking? This was the subject of a lively panel discussion I took part in, hosted by the ICAEW and its Audit Future programme, at the World Congress of Accountants in Rome this summer, where a multi-disciplinary group considered the future of the profession in the 21st Century, and how this might be impacted by wider changes in business, society and culture.

THE CHANGING FACE OF CORPORATE STRUCTURE

Throughout the 20th Century, the structures and practices of large companies did not change a great deal despite the introduction of computers and, eventually, the internet. Throughout this period, there was a gradual accretion of process in organisations, based on the idea that optimising repeatable processes is the best route to predictable outcomes; but this has made many organisations slow and unwieldy, whilst inhibiting the creativity and initiative of employees.

From the 1990s onwards, the internet era has brought a rapid acceleration in the pace of change, and today's companies face market conditions that are increasingly volatile, uncertain, complex and ambiguous (so-called VUCA conditions). Whereas once a company could develop a product or service and then optimise its delivery against known competitors, these days, life is more complicated and unpredictable. Michael Porter's notion of sustainable competitive advantage as a goal for business is looking less and less achievable.

The divisional model, cascading hierarchies, centralised services and associated bureaucracy now look like a weakness not a strength for companies in fast-moving markets. Whereas once business was personal, but only local, we learned how to scale and globalise, but at the expense of intimacy and heterogeneity; now, it seems, the internet allows us to do both, which can be seen as part of a societal trend towards the empowerment of individuals with respect to institutions. What might that mean for the profession, the way it organises its own work, and the way it advises its clients?

DIGITAL TRANSFORMATION

These challenges demand more agility and flexibility on the part of companies. Part of the way they are pursuing this is through a process called digital transformation, which seeks to digitise and connect the organisation to make it more adaptive and more responsive to both customer needs and changing market dynamics. But this is not just a question of technology. It also poses a challenge to the standard org chart and operating model that most large companies use to divide and conquer their processes

and operations, as well as to the culture and practice of management.

Digital transformation takes as its starting point the fact that we are all connected and able to share or collaborate in a way that makes new ways of working possible, as we are seeing with lean, flat startups, virtual global teams and a host of new organisational forms that are cheaper to run and more flexible than the average corporate structure. This began with a focus on how we engage with customers through the internet, but it shifted to focus on what kind of internal organisation is needed to support these new forms of engagement. The third aspect of transformation, which builds on these developments, is business model innovation - the idea that business models, value generation and even products are also subject to great change thanks to digitalization. This is happening in finance and financial services as well as in consumer businesses, and we have already seen some successful FinTech firms like Transferwise emerge as strong competitors for traditional financial services organisations in specific categories. Change is afoot.

EXPERIENCE AND SERVICE DESIGN

It is not just at the level of the firm that we see the impact of these changes. Consider for a moment: what is a product? Is it the hardware, the software, data services or perhaps the experience of using it? Maybe all of the above? How and why did early innovator in smartphones Nokia die and Apple go on to become a \$700bn company driven by success in the same product category? Innovation in user experience, the creation of mutually beneficial ecosystems like app stores and iTunes and also service design as a way to think about the totality of user experience are all key disciplines in today's markets.

What if we applied the same thinking to audit? This is the idea behind the project AuditFutures is running with Royal College of Art service design students, who are working alongside accountants to imagine new ways of conducting audits. It was fascinating to watch the students and accountants break down the values and priorities of audit work in their first workshop at the RCA in Kensington recently, before going on to explore new ways of achieving the desired result. Service design has a lot

to offer in this area. It is about taking a human-centric approach and looking at the way information and actions flow, what touchpoint people engage with, their perceptions and motivations, to improve their experience of using a service in a more holistic way.

SOME QUESTIONS AND CHALLENGES FOR THE PROFESSION

We will see much more rapid change in the structure and practice of firms in all knowledge-intensive sectors in the coming years, including accounting and consulting. What value does a professional services firm add above and beyond the value of its individual practitioners? Should we trust a brand or the people who deliver the service? Could networks of individual practitioners compete with large firms at lower cost?

The rise of big data and real-time data also pose some interesting questions for the profession. How could real-time data change the way we do audit? How do we manage and audit the actions of machines and software, as well as people, as they become increasingly important actors in firms?

What about technologies like the Blockchain that promise to create an irreversible record of transactions using one-way encryption?

The culture of management is also changing. 'Process over people' approaches are increasingly seen as unreliable and bureaucratic, and when we are so well connected and with an increasing level of transparency in our work, I would expect the pendulum to swing towards high-trust networks of people working together as a better way to get things done than process tick-boxing. But how do we get the right balance between trusting people and trusting processes? Might networked models with high levels of transparency provide a model for trust and accountability? What could this mean for increasing regulation versus greater focus on education and individual accountability? What challenges might this pose for professional bodies?

Employees are developing new ways of working and a new relationship with work and the firm. How can professional

'process over people' approaches are increasingly seen as unreliable and bureaucratic

the deeper sense of different cultures and ways of thinking and working, rather than shoehorn everybody into a single grey-suited idea of what correct business behaviour looks like? How do we connect with the wider societal purpose that drive the development of the profession to motivate young people to do a job sometimes seen as boring and conformist?

Digital transformation poses some interesting challenges for professional services as a whole, but the future of accounting and audit is a particularly interesting question in an uncertain world, with real-time data, greater transparency and new ways of working that mean we

services firms and professional bodies nurture new talent and provide working environment that stimulate rather than stifle productivity? How can we focus on value creation and task completion rather than 'presenteeism' and obedience to hierarchy. How can firms embrace diversity in

can no longer delineate the boundaries of individual companies. It will be fascinating to watch how the profession meets these challenges, whilst keeping hold of the traditional values and strengths that meant it has played such a key role in the development of a (mostly) well-functioning, fair and reliable business environment that we enjoy in the UK and Europe today.



GET OUT OF THE HOTEL

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Last year, I had the privilege of being asked to talk on the future of accounting at the World Congress of Accountants. As part of the deal, the organisers of the event put me up in a five-star hotel. It was by far the most luxurious place I've ever stayed in, with every element designed to never offend the senses, from the colour of the walls, to the gentle tinkling music, to the fragrant soft towels and high quality biscuits.

Everywhere in the hotel were staff members, bent on making every aspect of the experience as smooth and – in their eyes – pleasant as possible. Like Ralph Fiennes's character Monsieur Gustave in the 2014 film *The Grand Budapest Hotel*, they were dedicated to the highest levels of professional service, creating an art form out serving high paying clients.

We might use this as an analogy for accountants and auditors. It's an analogy that doesn't perfectly cross over, but we might imagine the world of corporate dealmaking, M&A, large scale investment, and international trade as a global five star hotel club, facilitated by high quality professionals such as accountants, auditors, and lawyers.

While the accounting profession is obviously dealing with much more complex situations than a luxury hotel concierge, they do have a vision of themselves as members of an esteemed profession, maintaining very high professional standards, creating an art form out of facilitating the global activities of large firms, or presenting a true and accurate representation of their material reality.

Indeed, it often angers the accounting profession that many civil society groups and NGOs perceive it not as a profession, but as a profit-seeking industry captured by corporate interests, rife with conflicts of interest, facilitating tax avoidance, obfuscation of information, and exploitation of loopholes. To many activists, the big firms are agents of unequal globalisation, failing to account for the social and environmental costs of the firms they work for.

Accountants' response to such activists is either one of dismissal: "You are naïve, and don't know what you're talking about". Or it is one of defence: "We are an apolitical, value-neutral profession. We serve clients, and we do so to the best of our abilities whilst protecting the public interest. We have to maintain good relations with corporate management teams, whilst

satisfying state regulators and protecting the interests of investors. This professional juggling act is what we do best, and the public benefits from it."

It's true that activists fixate upon examples of abuses – such as the Enron scandal – without noticing that on a day-to-day basis much good work goes on in the accounting profession. The frauds that are stopped, and that thus never get public attention, are ignored. It's similar to the way airline safety gets critiqued every time a plane crashes, but never gets praised every time a plane lands safely. Furthermore, the activist narrative only really demands that the accounting profession 'stop doing bad things', without providing an accompanying positive narrative.

Still, there is one thing that the accounting profession all too often glosses over. Power. To explain this, we need to go back to the hotel example we started with.

The concierge or butler in a five star hotel, is not just serving any clients. They are serving very powerful clients, and that is a highly important detail. As I sat in my Roman hotel I kept being struck by a question: Why are you being so attentive to me? Would

you treat the street-vendor outside these doors in the same way? On what grounds do I 'deserve' this service, relative to others who will not get it? What would you do if a homeless person wandered into the lobby?

The average person who spends time around a five star hotel does not technically represent 'the public'. They represent a very particular element of the public. They are the dealmakers, the influencers, the richest individuals, the politicians, the CEOs, the fund managers, the pop stars.

One of the main roles of a concierge or butler in such a hotel is to mediate between hotel management, the esteemed guests, and the government inspectors of safety standards. They must help powerful people feel relaxed with each other, helping them negotiate deals with each other over expensive drinks, deals that impact the people who will never enter the hotel. It might sound noble to some, but there is nothing apolitical about this.

The accounting profession often starts from the position that corporate management, major shareholders and regulators are the key stakeholders they have to please. In this context, there is a tendency for

the profession to slip into thinking that the 'public interest' is something roughly equating to investor interest, that the public interest is protected by making sure that company representations are true and fair.

In an unequal society though, the 'investing public' is not the same as 'the public', and 'investor interest' does not automatically equate to public interest. The main public interest issue with companies is not actually whether their financials are accurate or not. It's whether they're treating their workers fairly, how they're impacting the people who use their products, and how they treat the planetary resource base that we all rely upon.

So, if I was allowed to give a blunt message to all new graduates entering the profession, I would want to say this: Don't get caught up in the pretence that all you're doing is honourably serving clients within a respectable profession. Get real and realise that your clients wield enormous amounts of power and that serving them is not an unproblematic, apolitical gesture. Stop acting like a butler at a 5 star hotel, sucking up to powerful guests and then feeling warm inside about that. Start thinking about those outside the hotel."

The critical professional realises there is a difference between devotion to high quality service, and broader social justice and the public interest. Right now the profession starts from the former, and then adds in the latter. It should be the other way around.

In practice, this merely means the profession needs to become more holistic, critically analysing companies from a range of perspectives and then melding those perspectives into a snapshot that goes beyond whether or not the accounts are true and fair.

For example, in addition to standard reporting, why not include accounting from the perspectives of workers? Their experience of the firm is as material as any profits or losses to investors, but the corporate accounting structure presents them as mere expenses. And what about the broader public: Are they impacted positively or negatively via 'externalities'.

**Start thinking
about those
outside the
hotel.**

And what about including accounting from the perspective of ecosystems? Forget the euphemism of ‘ecosystem services’ provided to firms. Ecosystems do not ‘provide services’ – they have services forcibly extracted from them without compensation. Look at a firm from the perspective of a wetland: does it represent a net drain or a net positive?

These ideas might sound highly unorthodox, but traditional methods of accounting fail to capture these broader elements of the material reality of a firm. Traditional accounts are not apolitical, value-neutral presentations. They provide a highly constrained snapshot of very specific types of stocks and flows, whilst obscuring others. The audit and accounting firm of the future should be hiring anthropologists, political scientists and ecologists to truly assess what the true and fair view of a firm is, and how it impacts different elements of a multi-faceted ‘public interest’ in the short and long term.

how can accounting firms be drivers of meaningful transparency

There is a lot of exciting work to be pioneered in the profession. For example, how can accounting firms be drivers of meaningful transparency, curating the raw piles of chaotic information emitted out of the corporate structure and turning it into something that people can actually use. I recently worked on

such a project with Open Oil, sifting through the sludge of largely meaningless data that BP dumps into repositories like Companies House under the guise of transparency. This data is given the green light by auditing firms, but nobody in the general public knows what it means. Transparency is more than just the information – it is the meaningful presentation of information.

If accounting firms take the lead in driving forward these initiatives they will dispel the notion that they are a ‘private police force’ captured by those they are supposed to police, captured by a private profit motive that trumps a broader notion of the public interest. Rather, they will become seen as

vital pillars of a democratic, sustainable society.



CLAIMING THE PUBLIC INTEREST

Dr Ivan Krastev is the Chairman of the Centre for Liberal Strategies in Sofia, permanent fellow at the Institute for Human Sciences in Vienna and 2013–14 Richard von Weizsäcker fellow at the Robert Bosch Stiftung in Berlin. He is a founding board member of the European Council on Foreign Relations, a member of the advisory board of the ERSTE Foundation, and a member of the Advisory Council of the Center for European Policy Analysis (CEPA). He is also associate editor of Europe's World and a member of the editorial board of the Journal of Democracy and Transit – Europäische Revue. He was ranked in the 2008 Top 100 Public Intellectuals Foreign Policy/Prospect List.

The emergence of the topic of transparency on the public discourse scene, has changed the role of professions who deal with transparency. Now, when the expectations for governments and companies are to be more accountable, it makes sense that we ask for advice the people who know how to do that - accountants. In the past, accountancy was more hidden from the public space - it was more around efficiency, internal controls, financial management. Today, the growing demand for transparency and accountability gives the profession a new social role.

This new social role outlines the figure of the auditor-citizen whose job is not just to apply rules and follow standards. The auditor-citizen has to assure society that the public interest is preserved. This fundamentally challenges the 'traditional' perception of accountants - shy, nerdy and introvert - who are seen as positive protagonists only in anti-mafia movies and books. The accountant as a new public figure is a public intellectual who uses their professional knowledge and expertise to inform the public. He now gives interviews and statements not on whether rules have been followed but whether the interests of society are safeguarded.

This is manifested in one of the current challenges for the profession - the distinction between legal and legitimate. The modern society does not accept as legitimate actions that might be considered legal, like tax evasion, unethical corporate practices or disproportionate compensations. While this is true for both individual practitioners and accounting firms, it is particularly relevant for professional bodies. These institutions should play the role of a facilitator for the public discourse.

Some of the biggest social changes in the 19th and 20th centuries were driven by representation dynamics in public life. The labour unions, for example, became a key political and economic player that influenced the public agenda. Today, the demand for transparency gives a unique opportunity for professional accounting organisations to become a public speaker. This comes with a challenge to do so while preserving their independence and professionalism.

I see this as a great opportunity for the accountancy profession to reinvent its public interest role.

The legal profession, which for the most part is now seen as defendant of the

public interest has gone through a similar experience in the 1960s. With the emergence of human rights and the proliferation of human right organisations, lawyers started to be seen as such professionals with a bigger social purpose. Lawyers are no longer perceived solely as defenders of corporate interests but broadly as protectors of the public and the public good of justice. The changing environment today provides similar opportunities for accountants and auditors - from improving transparency and accountability in organisations to empowering unprivileged and marginalised individuals.

Auditors could help educating the public in trust-building. More and more people are facing complicated issues that they do not understand and need professional advice to make sense of them. Accountants have deep understanding of how companies are run and should be run, how public sector accountability and transparency can be improved. For example, when a bank fails, how can we move beyond the cyclical discussions and blame games and have an intelligent dialogue to improve the financial system. We need a professional who has knowledge about financial decision-making,

responsibility and what can be changed within an organisation. Enter accountant.

Every question that we don't understand, we turn into a moral question. The underlying principle of democracy is that we are all equally informed and competent. In reality this is not always the case and we often distort an important topic into a moral dichotomy of who is right and who is wrong. Therefore, in situations like this, when transparency is becoming a dominant paradigm, the professional institutions have a golden opportunity to play a critical role in shaping the future of society.

Both journalism and the legal profession embraced similar opportunities and are now seen as defendants of wider stakeholder interests. Accountants should embark on similar journey towards more prominent public interest role. I want to be optimistic that the profession will make a choice to determine its role, instead of waiting for someone else to impose it.

Accountants and auditors could tell a different story about their own profession and should play an active role in the public dialogue.



DESIGNING EXPERIENCES THAT MATTER

Dr Nick de Leon heads the new department of Service Design at the Royal College of Art. This wholly postgraduate programme has rapidly become the most influential programmes of its kind globally, working with international businesses as well as governments. He began his career as a design engineer at IBM and held a number of executive roles over a 30-year period in product development and marketing, including European director of marketing. He has a PhD from Imperial College London and a Masters degree from the Royal College of Art. He is also a fellow of the Royal College of Art and a visiting fellow of Imperial College.

For me, design is something that matters, something that needs to make a difference. Designers don't choose design because they want to make a living, they choose it because they have a passion to make a difference. I teach at Royal College of Art and see that what motivates the young people coming to our institution is to make a difference in world that will be different from the world in which I lived in.

In the world that I lived in, I was passionate about the environment, I was passionate about society. However, I ended up having a marvelous 30-year career, working for large corporations. From the drawing board to the boardroom. My generation saw the challenges that we are facing but did not do much about them - we talked about them, but did not act on many of them. Looking at the generation of students that are joining our universities today, I see that they do not have these options anymore. The world is changing and they need to design it for the better. What I find fascinating and inspiring is that all these young people want to take part of designing a better society.

What we do in our Department of Service Design, bringing the design practice to the services industries. 80% of the employment

in the UK is in the services industries. Services have been widely neglected in the world of design. We can see today that most of the products that we use are well designed. However, can we say the same for the services that we use? Are these services people-centred? What are our experiences when we walk into a hospital, a bank or a train station?

Service design is bringing design, creativity and empathy to a whole range of different public and business services. Fortunately, many local and central governments and business leaders do understand this and try to seek input from designers. We have designers working at the heart of government, redesigning digital and other public services. We are working with banks to help them transform the basic experiences that their customers will have. We are working as well the Ministry of Justice to help improve the experiences of these affected.

Design-thinking is about starting from the right-side of the paper. When you look at your business model, start by understanding your client and their customers. Design is about taking their experiences and working

backwards towards your core service delivery.

If you think about designing a bridge, you would come with a good picture of a bridge in your head. But if you're asked to think about designing a crossing, there many ways to do that, and the bridge is just one of them. If you focus on the purpose, on the experience, and not on the process, a full array of ideas can be discovered. Designers start with purpose and try to understand what experiences matter to stakeholders.

How does this apply to audit and accountancy? We start with the big question about trust. Is trust decreasing or is it growing: trust between citizens and governments, trust between employees and companies, trust between consumers and brands, trust between shareholders and companies. It seems that there is a widespread deficit of trust. Audit could be that amazing tool to bring confidence to communities so trust could be built. Having a deficit means that the 'product' was not designed well. This is such a tremendous opportunity for business to create something new that restores trust.

AuditFutures^{fi}

AuditFutures is a thought-leadership programme of ICAEW's Audit and Assurance Faculty, established in partnership with the Finance Innovation Lab

AuditFutures aims to inspire innovation and positive debate about the role of the audit and accounting profession in 21st century society. We want to look beyond marginal and incremental changes in audit, mandated by the regulatory landscape and business. If audit has an aspiration to serve society and remain relevant to the public interest, it has to engage with a greater range of stakeholders and invite critical thinking and constructive debate.

We hope to become a catalyst for change and to inspire the profession to take responsibility in determining its own fate by leading the discussion on the future of our society. By working across the audit and accounting professions at international level, we are building programmes to enable innovative thinkers and 'tempered radicals' to develop thinking and ideas on the future of audit.

A fundamental aspect of our work is to invite diverse and divergent perspectives

to the debate. No single organisation can tackle the wider systemic issues that we are facing today, so this is why we are working by building partnerships and collaborations. We believe that by welcoming diverse views, we will stimulate the debate beyond our comfort zone and generate innovative ideas and creative solutions.

We focus on thought-leading ideas that have the potential to drive systemic change and develop solutions for wider impact. By taking an action research approach, we are creating a community of practice to improve the way we work on specific issues.

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