AT THE CROSSROADS OF TECHNOLOGY AND INTEGRITY
The World Congress of Accountants, the largest worldwide get-together of accounting professionals held every four years, tackled some of the biggest challenges facing the sector as well as charted a more digital future. George W. Russell joined the four-day meeting of thought leaders, industry veterans and future high performers in Sydney.

Trust and technology were the two broadest themes of the 20th World Congress of Accountants. The sun-drenched setting – in the harbour-side International Convention Centre in Australia’s largest city – reflected the generally optimistic tone of the congress amid rapidly evolving digital landscape and a tightening regulatory environment.

Rachel Grimes, Immediate Past President of the International Federation of Accountants opened the conference, calling on attendees to value integrity and uphold the profession’s public interest mandate. “Trust is intangible on the balance books and is our most precious asset,” she told the 5,000-plus attendees.

Grimes was the first of more than 150 speakers who offered delegates an array of presentations, master classes, workshops and exhibitions on themes from robotics to valuation.

Since the previous congress, held in Rome in 2014, global markets have been shaken by the uncertainty of Brexit, the rise of cryptocurrencies, and the threat of trade wars under Donald Trump’s presidency of the United States. This year’s congress theme, “Global Challenges | Global Leaders,” emphasized ethics and integrity, disruptive technology and sustainability.

Those questions came together recently in Australia, with the recent report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, which criticized the country’s financial institutions and sparked calls for further inquiries into accounting and auditing firms.

Keynote speaker Niall Ferguson, Laurence A. Tisch Professor of History at Harvard University in the U.S. and author of *The Ascent of Money*, raised a few murmurs when he revealed that he had wanted to include an episode about accountants in the television adaptation of his book. “Accountants were the only group for whom the thought of another global financial crisis didn’t really bother them,” he told the audience.

For the visitors, the congress highlighted more familiar aspects of the host country, with indigenous dancers, Vegemite sandwich spread and a koala making high-profile appearances. Australia’s place in the wider Asia-Pacific context was also in the spotlight, with large delegations arriving from China, Japan and Southeast-Asian nations.
Within Beijing’s reach

The impact of China – whether through a potential slowdown in its economy, its involvement in global trade tensions, and claims of national security risks from its government-linked companies – was a recurring theme.

Zhang Ke, Chief Partner and Chairman of ShineWing CPA, said China made an impression on each session at the congress. “Every speaker made a reference to China, showing that it is an integral part of the world economy,” he said.

But he added that it is important not to overstate China’s slowdown this year amid declining outbound foreign investment and volatile stock markets.

“I think there is a lot of misunderstanding about the Chinese economy,” he said. “Gross domestic product growth of 6.5 percent is a more normal rate of increase, compared with the sharp growth of earlier years.”

He added that domestic curbs on Chinese companies investing overseas are expected to be relaxed soon.
“Outbound investment has decreased but it is a temporary phenomenon and will pass,” Zhang said. “For some companies, investment was just capital transfer through acquisitions that bear no relation to their business.”

Zhang said ShineWing, which has an extensive Australian network, is embracing new technology. It recently set up an English-language data centre in India with 24 employees, reflecting the company’s commitment to serving its non-China clients.

Meanwhile, Ferguson argued that Beijing was just as significant as Washington in terms of global macro-economic policy. “China did a massive stimulus, mainly for self-interested reasons. They did not want a slowdown in 2009, but that credit splurge led to all kinds of infrastructure investment all over China,” he said.

He added that China – not Turkey or Argentina – is the economy to watch in terms of forecasting another crisis. “China is highly leveraged as a result of the policies they pursued during the [global financial] crisis. That will have meaningful repercussions.”

**Maintaining integrity**

One of the conference themes was how to focus on protecting the public interest and building prosperity in a digital world. Accounting, said Michael Izza, Chief Executive of the Institute of Chartered Accountants in England and Wales, was undergoing a transformation due to innovation that enabled the crunching of larger amounts of data.

But he warned that the benefits of technological advancement were tempered by factors such as greater surveillance of employees, an over-reliance on algorithms at the expense of informed judgment, and a potential entrenchment of existing bias due to automated inputs.

Some speakers acknowledged that the global accounting profession had yet to address many of the ethical implications of new technology. “We are just starting to work on the impact of technology on ethical standards and how it is going to make an impact on professional judgment,” said Stavros Thomadakis, Chair of the International Ethics Standards Board for Accountants (IESBA).

Thomadakis hailed IESBA’s work on Responding to Non-compliance with Laws and Regulations (NOCLAR), an international ethics standard to guide professional accountants in what actions to take in the public interest when they become aware of a potential illegal act.

“NOCLAR is a breakthrough in terms of public interest,” he said. “Its major focus is ‘do not turn a blind eye.’ Accountants must make a judgment on whether to disclose [an illegal act] to authorities or withdraw from an engagement [and] disclosure must be balanced between the extent of harm to stakeholders versus legal protections and threats to physical safety.”

Ming Long, Chair of AMP Capital Funds Management in Sydney and Board Director of Chartered Accountants Australia and New Zealand, said the profession did not live up to its ethical standards in the lead-up to the global financial crisis. “We were meant to be the people who did the right thing.”

Ethics has an overarching effect on accountants, Long adds. “It’s not just about accountants but all people in business. Serving the public purpose is connected to why we exist as human beings.”
The conference opened on 8 November, a month after the United Nations Intergovernmental Panel on Climate Change released a landmark report warning that global warming needs to be kept to a maximum of 1.5 degrees Celsius, beyond which magnify the risks of drought, floods, heat and poverty.

With constant reminders to reuse bags and water bottles, the congress emphasized how accountants should contribute to global sustainability. Climate change – as a factor of risk management – was another recurring theme. “I really believe we need to provide leadership,” says Gordon Beal, Vice-President of Research, Guidance and Support at CPA Canada. “It’s not about creating climate change experts,” Beal added. “It’s about how professional accountants apply the skills and competencies they already have in their toolkit in helping their organizations become more adaptable.”

He said firms should integrate climate change issues into their overall strategic planning, risk assessment and operations. “It should be a part of how they look at their fundamental business models.”

**Tech for fun and profit**

The profession is counting on technology to provide tools for leadership, said Eric Tong, President of the Hong Kong Institute of CPAs, who represented the Institute at the congress. “Young accountants are very concerned about artificial intelligence (AI) – ‘what percentage of jobs will be replaced by computers or robots?’ they ask,” he said. “I see AI and other technologies as a reason to look at the strategies we need to adopt when members are freed from mundane tasks and can use more judgment.”

The tech exhibits included a virtual reality experience that set contestants a task to save a koala manufacturing company from a US$10 million loss.

“One session revealed that robots can complete certain audit-related tasks in a tenth of the time it takes a human equivalent.”
Melissa-Lee Mitchell, Accountant at New Zealand-based firm Ashton Wheelans, suggested the promise of AI remained more theoretical than practical in the context of the audit profession. “I’m interested from the point of view of using AI to achieve operational excellence in accounting firms.”

AI could have particular resonance with Hong Kong’s small-and medium-sized practices (SMPs), added Tong. “Large accounting firms will have the resources to invest in new technology but SMPs probably will not. They will need to talk about sharing resources. We haven’t talked enough about that recently and we need to address the potential.”

Issues of trust resurfaced in discussions about distributed ledger technology, known as blockchain. While often associated with cryptocurrencies such as bitcoin and dubious financial practices such as initial coin offerings, the underlying technology is a game changer.

Brian Forde, Senior Lecturer for Bitcoin and Blockchain at the Massachusetts Institute of Technology Sloan School of Management, describes bitcoin’s progress as “going down the peak of inflated expectations into the trough of disillusionment.”

But he added: “In a couple of years, everyone will say they would rather go without coffee than without blockchain.”

One of the most eagerly anticipated sessions was a presentation by Ayesha Khanna, CEO of ADDO AI, a Singapore-based AI advisory company, and author of Hybrid Reality: Thriving in the Emerging Human-Technology Civilization. “How AI can impact business is both impressive and inspiring,” said Tang Hongyun, Chief Accountant at the Asia Infrastructure Investment Bank in Shanghai, who attended.

Khanna said accountants should not adopt AI if they do not understand its role. “If a company uses machine intelligence to refuse medical insurance to a person, you better know why — you can’t let a machine do it,” she tells delegates. “Accountability, governance and transparency are far more important than the products of algorithms.”

Tong said that ultimately, technology is now intimately connected with integrity. “With big data, we have to manage digital trust issues. We have to let people know what we are doing with technology, why we are doing it, and communicate how we are using that technology,” he said. “It makes you realize that there are a lot of developments in the profession. We are looking back at what we could have done better, and look forward to the future.”

Organizers said their aim was that delegates left the conference hopeful they could use the knowledge gained in their careers. “It’s really about thinking about what they want to be and be able to do to actually be the change and drive the profession forward,” she said.

Some delegates took to heart the sentiment in a speech on the final day by former United Nations secretary-general Ban Ki-moon noting that “accounting” and “accountability” were closely related terms. “It is such a simple message but it is at the core of what we do,” said Will Camphin, owner of W A Camphin & Co., an accounting firm in North Sydney. “Trust is everything.”