EMBRACING DISRUPTION

ICAEW's conference to investigate the impact of digital technology on finance professionals took place in the most appropriate venue: cyberspace

On 15 May 2018, ICAEW's 'From digital disruption to digital readiness' conference had an unusual location: the internet. A combination of webinars, downloads and live Q&A chats, the conference had the ambition to help members learn about and take advantage of the promise of digital technologies, while avoiding the threats they pose.

In the near future, much of the finance function will be turned on its head. As Tim Leung, a management consultant at Deloitte, explained in his presentation 'Visualising finance transformation in a digital world', soon the majority of transactions will be automated, as will the finance function. Therefore, it has two paths: it can either become a small centre of excellence in reporting, or an essential business partner, helping create real-time information, self-service reporting and new services. "Finance will have to have much more commercial and business acumen," he says.

The promise of AI, blockchain, analytics and the cloud will change the roles of everyone who works in finance. "People say that accountants now need to be data scientists," adds Bernard Marr, an expert in how technology is augmenting the accountancy function, and the presenter of the keynote 'Digital transformation: mega trends in the accountancy profession'. "You do not need to be a coder, but you need to focus on... asking the right questions."

The most fundamental of those questions is: where can finance add value to a business? Some innovative accountants are finding that the core of their business a decade ago is not its future.

THE VIRTUAL FD
Peter Taaffe, managing partner of Liverpool-based BWM Chartered Accountants, a firm with 55 staff, explained in his presentation how acting as a "virtual finance director" is a way for accountancy firms to future-proof their business by taking over a wider range of financial planning and advisory functions for clients. "We had to do this to survive and thrive," he says. "We are in a competitive market where we are all looking at the commoditisation of what we do."

The threat is that the basic tasks that the firm provided in 1991, when Taaffe joined, are now quite simple for untrained staff on the client side to do. Instead, the firm offers to work with the client to help plan and optimise its business, sometimes speaking to third parties, or giving advice on topics well outside the traditional remit of an accountant, such as stock management or software choice.

Taaffe gave examples of how client relationships have changed: for example, a "financial guru" who generates his own invoices, but outsourced everything else to BWM. "We introduced apps for forecasting, cashflow and capital requirements. We could demonstrate that he was living beyond his means, helped him to identify what he could spend each month, and talked to his bank about working capital," Taaffe says. This generated fees of £14,000 a year, "four times as much as we would historically have charged".

The firm works in a similar way for a nursery with £3m turnover. "We would have been doing annual accounts 10 years ago, and if we were lucky, VAT

returns," he explains. Instead, BWM works with the owners to prepare monthly management accounts, forecasting, and wide-ranging advice and KPIs. The higher fee that the firm earns is also for acting as intermediary with banks and solicitors on the nursery's behalf. "Once you become a virtual financial director, you find the services you are asked to offer will expand," adds Taaffe.

How does a firm structure a relationship like this? Taaffe has practical advice: Personalities are crucial. You will find yourself working more with your client, so find who is suited to their profile or their industry. Pricing the service is difficult. "Pretty much everything we do is bespoke, clients all have different needs". So develop a menu of services, and review fees after six months.

Remember you are not a director or a decision-maker for the client. You can give advice or an opinion, but always make sure that clients know that they make the decisions - and that their virtual FD is not on duty 24 hours a day.

DIGITAL ACCOUNTING SYSTEMS

Matt Flanagan, the managing director of cloud integrator Bluehub, praised the potential of the apps that can connect to cloud accounting systems, but warned firms against what he calls "app overwhelm".

Flanagan counts around 650 business apps that firms can employ to help their clients, and so it's impossible to know, or use, all of them, especially if the firm is still working to migrate clients to cloud software. Also, he sees that firms will go through a process of adoption:

Firm efficiency apps. These can be used within the firm or with clients to automate or improve repetitive processes. Apps such as Autoentry or Receipt Bank for data entry, or Chaser for overdue accounts, or Futrli for cashflow forecasting increase efficiency and are easy to integrate with Xero or QBO, adding to the range of services that firms can offer.

Basic apps. "Most businesses that sell services need to quote for them," Flanagan says. A dedicated app such as PandaDoc or Quotient can provide customisable templates, and can track whether the quotations have been accessed, or whether clients need to follow up. Similarly, CRM and project management apps such as Insightly can integrate with accounting software and quotation software.

Advanced apps. These, Flanagan explains, can make a firm into much more of a consultancy partner. Examples would

THE RISE OF THE ROBOTS

Although we have been warning that robots are about to take our jobs since the 1920s, when John Maynard Keynes warned of an era of "technological unemployment", so far they have replaced humans only in a limited number of manufacturing and calculating jobs.

But Carl Benedikt Frey, co-director of the Oxford Martin Programme on Technology and Employment, Oxford University, has investigated exactly how vulnerable more than 700 professions are to automation in the era of AI, and, he warned in his keynote 'The future of work and the accounting profession' that accountants, auditors and bookkeepers are among the most vulnerable jobs (accountants and auditors were only 589th-most-safe in his list).

"Experts underestimate the scope of automation," he warns, "When something can be digitised, now algorithms can teach themselves those tasks." The method used in this research was to take each job and break it into its constituent tasks and then, ironically, train an AI to recognise how much of the job can be automated by using real-world data (see tinyurl.com/BM-OxfordFutureJob).

The headline result was that 47% of today's jobs were vulnerable. This doesn't mean they will vanish overnight: technology might make the jobs disappear completely (lift operators, lamplighters), or change it out of all recognition (farmhand) or, for many low-skilled jobs, just exert downward pressure on wages.

This in turn creates a "hollowing out" of the labour market, where high-skilled jobs are still safe, but where semi-skilled workers tend to downgrade to low-wage jobs as they are replaced by computers.

What can't we automate yet? Frey argued that creativity, social intelligence (for example, negotiation and management) and delicate manipulation are hardest to automate. This means that while the basic technical skills of accountancy might be assigned to the robots, an FD's problem-solving and management skills will retain their value, and become a larger part of the job in future.
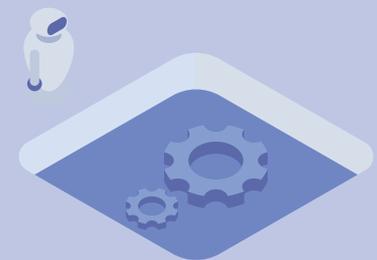
But how do you avoid app overwhelm? Concentrate on six apps that match the profile of your clients and become proficient in those

be Harvest or Acello for job costings, TradeGecko for inventory management, or iZettle for EPOS. These can quickly create e-commerce businesses, but this comes with a warning: "Unless these are areas you are going to major in, start by partnering with the app providers or an integrator to deliver them," Flanagan says.

But how do you avoid app overwhelm? Concentrate on six apps that match the profile of your clients, and become proficient in those; be proactive in recommending them where they are appropriate; and keep optimising the way you work with them, as cloud software capabilities change week by week.

END-TO-END AUTOMATION USING ROBOTICS AND COGNITIVE TECHNOLOGIES

Can you free your firm from the need to perform repetitive rules-based tasks? And how far can you take this process? David
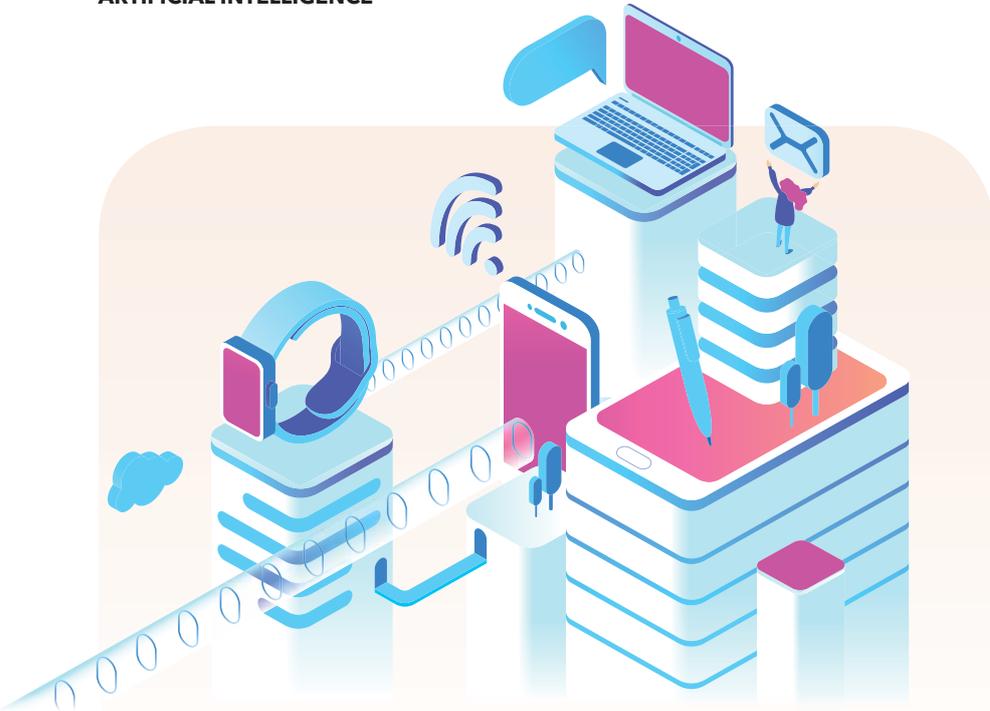
Wright, consulting director at Deloitte, compared the VAT process that it automated using robotic process automation (RPA) for the European Commission. The process of entering data in spreadsheets and updating ERP systems took a human three minutes and 40 seconds. But automating it, while using the same applications, cut the processing time to 40 seconds each time the process was run.

RPA, Wright explains, is similar to creating "cross-functional, cross-application macros". Although it's more than that, this captures the spirit of the application. If there's something that your firm does time after time, RPA mimics it automatically. "RPA is a bit like taking the robot out of the human," he adds.

Many RPA providers, such as Blue Prism and UIPath, have sprung up over the last few years, but who can use their services in the finance environment? Anyone with low-value-add rules-based activities, or a lack of integration between the systems they use. And while the functions they perform can be rigid and repetitive, using RPA can be creative, Wright argues.

Standard processes tend to degenerate over time when people are doing them. "People may get lazy, they may get creative. With robotics you can be 100% consistent," he says.

You can release people to other tasks, and you can now offer a 24-hour service. Management information improves: robots can easily tag what they do, and so reporting can be quicker and more accurate.

> "Our expectation is that we will see near universal adoption in the next five years. The robots are ready, are you?"

You can start small, and then apply RPA to other processes, or scale its use across the organisation. It can also be a catalyst for standardising processes.

Deloitte's research shows that RPA's current users consider it a success: 92% said it met or exceeded their expectations for compliance, 90% for quality and accuracy, 86% said it met or exceeded expectations for improved productivity, and 59% for cost reduction. "Payback was reported consistently at just less than 12 months. Our expectation is that we will see near universal adoption in the next five years," says Wright. "The robots are ready, are you?"

CYBER SECURITY, DATA GOVERNANCE AND RISK

"Most of our organisation and company data is now held on systems that are connected to the internet," said Jamie Randall, chief technology officer, IASME Consortium. "And there are a number of highly motivated people out there who want to steal or damage your data."

IASME is one of five companies appointed as accreditation bodies for assessing and certifying against the government's Cyber Essentials. Different from the challenges of protecting against malware or social engineering, 2018 is a year when firms cannot afford to put cyber security in the 'too hard' basket, Randall warns. This is due to the challenges of GDPR and the Network and Information Security Directive, which means anyone holding data needs to not only put adequate protection in place, but manage and report incidents quickly or face heavy fines.

His advice: first, understand what data you hold, where it sits, and the data flows between systems. Then analyse which groups and methods are you most likely to be a victim of. Finally, adopt a standard such as Cyber Essentials, learn how to respond and spot attacks, and think about insurance for the cost of an attack. But if you want to do something today, Randall has five tips:

1. Make sure your software is up to date, and turn on the auto update function.
2. Don't use admin accounts for web browsing or email. If you click on a malicious link, the software can do anything on the system.
3. Turn on two-factor authentication on all your cloud services. It's simple and free.
4. Empower your staff to delete suspicious emails. Tell them there will be no negative consequences if they accidentally delete a real email.
5. Back up your data. Offsite. ●