



# The Audit Profession and 4IR: Bridging People, Organisation, Technology and Public Policy

By Lim Fen Nee

The world of business is changing and evolving, now more than ever in this new era of the Fourth Industrial Revolution<sup>1</sup> (4IR), which has transformed business, the broader economy and society in major ways. Technological changes have infiltrated everyday life and access to technology by consumers globally has increased tremendously. Mobiles, artificial intelligence, cognitive computing and data are becoming the norm in the new workplace, while the ability of business productivity to match technology change is falling behind. As illustrated in Figure 1 below, the gap between technological sophistication and the amount of work actually performed is ever-increasing.

As the shift towards a fusion of technologies blurs the line between the physical, digital and biological spheres, the auditing profession also finds itself responding to multi-faceted changes and challenges.

- How will this shift affect the people and organisations in the profession, as well as the related public policy?
- What needs to be done to prepare for the 4IR and to bridge the gap between rate of change in technology and rate of change in People, Organisation and Public policy?

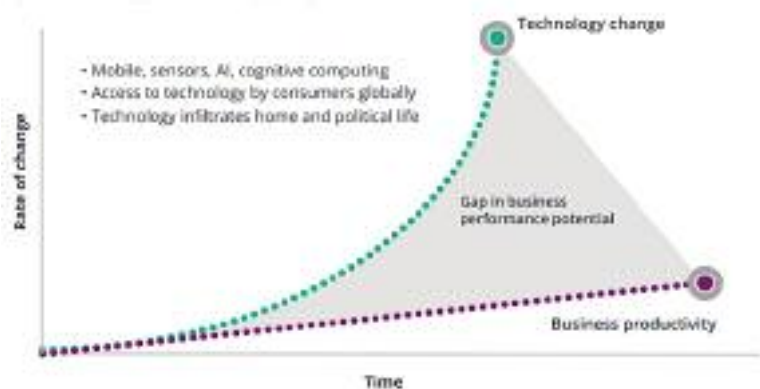


Figure 1: What appears to be happening. Diagram sourced from Deloitte University Press | [dupress.deloitte.com](http://dupress.deloitte.com)

Deloitte University Press' report "Rewriting the rules for the digital age: 2017 Deloitte Global Human Capital Trends"<sup>ii</sup> cites human capital strategies as the reason for the gaps. This refers to how businesses organise, manage, develop and align people at work. When the rate of change for technology, individuals, businesses and public policy is mapped as shown in Figure 2 below, a gap between all four is observed.

In the midst of rapidly changing technology, individuals are relatively quick and adept at adopting new innovations. However, business practices such as corporate planning, organisational structure, job design, goal-setting and management are lagging behind. The gaps between curves 1, 2 and 3 show the need for organisations to adapt to technology and lifestyle changes while the lag of curve 4 shows the need for public policy to increase its adaptation to the change in technology.

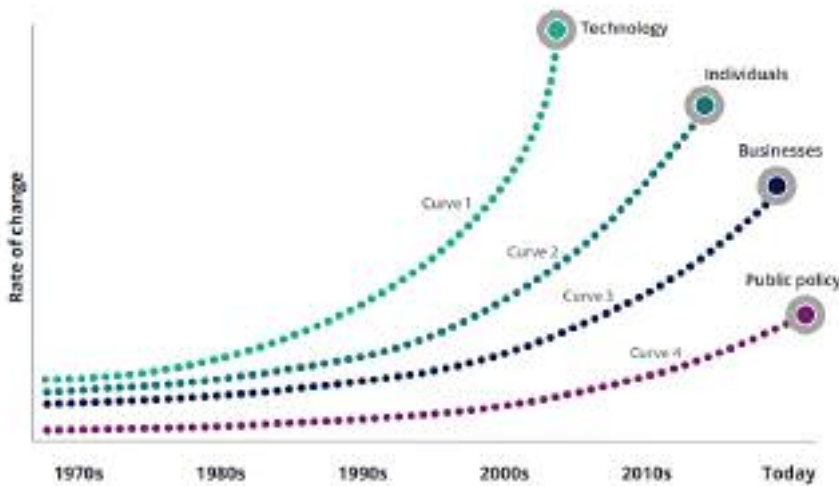


Figure 2: What is really happening. Diagram sourced from Deloitte University Press | [dupress.deloitte.com](http://dupress.deloitte.com)

Effectively navigating the 4IR will require understanding of the four curves and the growing gap between technology, individuals, businesses and public policy. What can be done to narrow the gaps?

## The People

It's all about staying ahead of the curve and how individuals achieve that. The future of work is all about the people and the way

technology is driving the change. How people work, where they work and even who is at work is changing and will continue to change. People are the "Force" in the workforce and will play a key role in bridging organisation and technology in the 4IR environment.

### Data vigilance

Improvement in technology brings with it more automation and better data analytics tools. In the audit profession, the use of data analytics in performing audits and to provide more value-add to clients is becoming more common. With the availability of relevant data and the right tools, data analytics can provide better visibility of trends and highlight exceptions in a more efficient manner.

However, regardless of how advanced the tools become, auditors will still need to interpret and analyse the information. This

is where they need to exercise professional scepticism effectively. Is the data too good to be true? Was the input data correct and cleaned sufficiently? Is the information churned out sensible? Do the outliers need further investigation? These are some of the questions that need to be at the forefront of the auditor's thoughts when using technology for data analytics.

Operations-wise, many audit firms are already using technology to assist in their work. Are auditors cognisant of the type of cyber risks? Cyber risk is not limited to only the hardware and software used by audit firms, but importantly the effect on the

information that is stored in the systems. Data is a valuable commodity and very often audit firms have access to highly confidential and non-publicly available information. Phishing attacks for malicious reasons, such as obtaining access to a system, are on the rise. Various high profile cases of data breaches have been reported in the last few years showing that these attacks are perpetrated by sophisticated criminals and are a major issue at audit firms. With cyberattacks such as phishing becoming more sophisticated, auditors need to be more aware and stay alert to ensure that they do not fall victim and become the weak link that compromises the cybersecurity of the firm.

### Always-on learning experience

The rapid change in technology is requiring individuals to be constantly learning and adapting to the current environment. Hence, the pace of learning is accelerating and skills are now becoming obsolete at a faster rate than in the past. Auditors today face a similar situation with the need to constantly reskill and upskill to stay relevant. Multi skillsets are being sought after to facilitate the demands of a changing workforce.

Employees of audit firms need to embed continuous learning at their own initiative through various platforms available, such as micro-learning, on-line courses and peer learning, instead of just depending on trainings to be made available to them.

Those individuals who constantly acquire knowledge and apply them at work are better poised to lead in making impactful outcomes in the future. An employee's progression is a reflection of one's learning curve.

### Agility

Auditors' ability to understand and appreciate the clients' business quickly as part of the audit process is crucial for an effective audit. As new business models emerge and existing ones change more frequently, agility especially will be highly valued. Having the relevant experience and exposure in a fluid environment will facilitate the maturity of thought process. Furthermore, auditors' ability to rethink and reinvigorate and even to reinvent will contribute to the sustainability of an audit firm in a dynamic environment.

### Adaptability

The development of staff in an audit firm is no longer just based on the traditional audit skillset, although the foundational skills will continue to be relevant. Careers now go in every direction, no more just "up or out".

Individuals that are adaptable and facilitate talent mobility will be most sought-after. These are individuals who are open to thoughts of others and not constrained to certain viewpoints, often conditioned to seize opportunities, and resourceful in achieving personal and organisation goals. The value proposition for these employees is such that the additional skills developed will be applicable beyond audit or accounting. The skills will be transferable and adaptable, making them more relevant and marketable. This may seem counter-intuitive as these employees may also be targeted by other organisations in and outside of the profession. However, a broader view should be taken, so that even if the individuals do not stay within the organisation or audit profession for their whole career, they can become ambassadors for the profession by exhibiting the values that helped to set them apart from other professionals.

### Network of teams

The ability to work in teams will continue to be relevant in the future. The dynamics of the team will, however, evolve over time and vary in terms of diversity of background, geographical locations, team size, skills and competencies.

Audit team functions will vary as more and more professional firm networks begin to operate with various business models, such as shared service centres, audit delivery centres, cross-border business activities and cross-business lines cooperation. Effective teamwork in the 4IR, with the team scattered in various locations, will entail effective collaboration and communication in a virtual environment to get the job done in a timely manner. The networks of teams empowered to action are envisaged to replace structural hierarchies in the organisation of the future.

## The Organisation

### Resources

The changing technology means that organisations including audit firms will need to invest in more resources to keep up. The investment in resources includes getting up-to-date technology, such as equipment and software, as well as hiring the right people and conducting sufficient training. The laptop is the most basic of the technological needs for work and should be updated periodically. The firm should be continuously investing in software and tools through in-house development or from third-party vendors to help improve audit work.

The different dynamics of teams will mean that audit firms will now need to consider recruiting employees with different backgrounds, i.e., skills and experience to fulfil the diverse needs of the organisation. Employees of audit firms may consist of a smaller percentage of accounting graduates compared to the past, as those with different qualifications and skillsets will be in demand. Skillsets such as strong analytical skills, coding and high versatility will be key competencies sought after. Hence, audit firms will need to relook at their recruitment focus and strategy in order to adapt to the changes in technology.

### Interdisciplinary leaderships and culture

Leaders will face greater pressures as the speed of technology advancement and disruption increases. The leaders' role will continue to change and become more digital-focused and team-centric. Hence, the ability to recognise the team's performance taking into account tomorrow's agenda today is key to position the organisation for the future.

It is important for leaders of audit firms to communicate well, not just amongst themselves, but also with the whole firm. Audit firm leaders need to be open to understand the impact of the

changing environment on the business and how audit work will be in the future. Audit firms need to rethink their organisation's leadership model to include diversity, inclusion, teamwork and collaboration, while still focusing on innovation and growth.

Leaderships must be interdisciplinary and focus on new product and service innovations, encouraging calculated risk-taking and experimentation, as people develop new skills and competencies. The organisation should be prepared to invest a huge amount of effort into getting things right and also ensuring high standards of quality – try and try again until success is achieved.

### On-going feedback and mentorship

A study<sup>iii</sup> by the Social Market Foundation and the University of Warwick's Centre for Competitive Advantage in the Global Economy conducted in the UK found that happier employees are more productive in the workplace. How do audit firms make employees happier in the context of the changing work environment? Commitment to support professional growth and performance goes a long way in creating happier employees. Audit firms should reinforce the need to provide employees on-going feedback on the job, after a project or as required. Feedback should not be postponed to the year-end evaluation where key learnings and improvement opportunities could have been missed already.

Mentorship becomes a lot more important and audit firms should focus on incorporating active mentorship into the business. For a meaningful mentorship, it is crucial for the mentors to share experiences and context to guide younger employees. In the current learning environment, reverse-mentorship becomes prominent, as the mentors should also learn from their mentees. Younger employees can be reverse mentors by helping the more senior employees learn about technology, work practices and also the culture of younger employees.

### Public policy and stakeholders

Public policy will involve various stakeholders such as regulators, standard setters, professional bodies and also the investing community. These stakeholders have different expectations from the audit profession and as time progresses, some of the expectations will change while what the profession requires from new or improved public policy will also change.

### Standard setters and regulators

Standard setters have to keep pace with the changes required of the audit and accounting standards to facilitate the current

business environment. Are the standards still relevant? Does some of the accounting treatment in the standards fit the new business models of clients? Are new standards required and can the standards be updated and adopted in a timely manner?

In Malaysia, audit firms that have public interest entities as clients are regulated by the Audit Oversight Board (AOB). The AOB is already gearing up, having discussions to respond to regulatory needs of the profession.

### Professional bodies and academia

Professional bodies in Malaysia can play a pivotal role, to steer the profession to always strive to be ahead of the curve in terms of technology and knowledge. The profession and universities need to continue to collaborate to prepare the future workforce by understanding the needs of the 4IR and training the next generation of auditors and accountants with the right skillsets, both for the workforce now and in the future.

### Conclusion

The 4IR is here and there is much to do to ensure that the profession will weather the changes and continue to thrive. Individuals, audit firms and all stakeholders will collectively need to play their part to ensure that the gaps are bridged and the profession is ready for the future.

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*This article is contributed by Lim Fen Nee, Professional Practice Change & Transformation Leader at Deloitte Southeast Asia, and the views expressed are her own. Fen Nee can be reached at fnlim@deloitte.com.*  
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*i Jeff Schwartz, Andrew Liakopoulos, and Lisa Barry, The open talent economy: Beyond corporate borders to talent ecosystems, Deloitte University Press, July 24, 2013, <https://dupress.deloitte.com/dup-us-en/deloitte-review/issue-13/the-open-talent-economy.html>, accessed November 20, 2017.*

*ii Rewriting the rules for the digital age: 2017 Deloitte Global Human Capital Trends, Deloitte University Press, <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/HumanCapital/hc-2017-global-human-capital-trends-gx.pdf>, accessed on November 10, 2017*

*iii Daniel Sgroi, Happiness and productivity: Understanding the happy-productive worker, October 2015, <http://www.smf.co.uk/wp-content/uploads/2015/10/Social-Market-Foundation-Publication-Briefing-CAGE-4-Are-happy-workers-more-productive-281015.pdf>, accessed November 21, 2017.*  
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