

**Next Day Reflections & Quick Takeaways on the “Future of Professionalism” Conference**, held May 10, 2018, sponsored by the Professional Accounting Centre of the University of Toronto, and CPA Canada, at the offices of the latter.

By Alan Willis FCPA, FCA

### **1. Decline in Professionalism (in the public accounting profession):**

If we look at the history of the public accounting profession (i.e. accounting professionals who perform audits of financial statements) over the last seventy years or so, we see clear signs today of decline in the qualities and activities that defined professionalism as recently as thirty years ago, accompanied by a shift in the services provided by professional accounting firms away from auditing services towards a wide range of business consulting services. A lack of vibrant dialogue among and contributions to accounting and auditing literature by public accounting firm leaders, and lack of published research and journals on such matters by accounting bodies and standards setters are among the outward signs of this decline. More subtle signs may be discerned within the large accounting firms and their policies for partnership admission, reward and development, as well as shifts in the expertise and competencies demanded to provide services beyond accounting and auditing. The education and practical experience for preparing new entrants to the profession seems to fail to instill in them the critical enquiring minds necessary for a professional accountant and auditor. In short, one may ask, where will the future intellectual leaders for the (public) accounting profession come from? None are evident today (in my view).

### **2. Professionalism and Responding to Drivers of Change - challenges and opportunities:**

Professionalism comprises mastery of a particular body of knowledge in the service of others, plus a commitment to satisfy public expectations for ethical conduct in serving others, and acceptance of a legal/fiduciary responsibility for (self) regulation in serving the public interest in return for the right to be recognized by society (government) as a profession. Increasing regulation of the (public accounting) profession and of accounting and auditing over the last two decades has tended to diminish the need for exercise of professional judgment. The principle of limited liability of corporations may need revision if not only corporations and boards but also their advisors and auditors are likely to be held liable to stakeholders beyond owners/shareholders.

Drivers of Change, however, pose some challenges to accounting professionals, such as developing an awareness of systemic risk and of externalities caused by humans and business activity; a changing view of materiality; and recognition that financial reporting alone is useless for investors who want to evaluate how sustainability in general and climate change in particular affect businesses and their performance.

Drivers of change also present significant new opportunities for accounting professionals to broaden and apply their expertise in providing new professional-quality services needed by society and businesses: for example, probabilistic scenario analysis

and forward looking metrics, as well as design and assurance services regarding privacy and data security management. Regulations such as those now coming into effect in Europe about data privacy represent a significant new service opportunity for the profession, while the IESBA standard for responding to NOCLAR situations is an important source of clarification about professional responsibilities in meeting public interest expectations.

But if only 20% or less of CPAs are engaged in the auditing services function of public accounting practice, what in fact is "the profession"? How can CPAs distinguish themselves as preferred service providers in the eyes of companies and the broader public when they offer services in, for example, strategic planning, performance management, risk management, and new business models?

Purpose-driven organizations for professional firms as well as business enterprises are key to future ethical and professional conduct aligned with economic success and human/social well-being. Anticipation of and resilience to drivers of change and their impact on accounting professionals is essential to the future of the profession and professionalism, broadly defined.

### **3. Professional Education**

Current education curricula in universities are not doing a good job in educating students about the conceptual and practical aspects of business ethics broadly and professionalism (including professional ethics). Accreditation criteria need enhancement in this respect. Future CPA competency maps and curricula must (and will) place greater emphasis on development of enduring enabling competencies rather than on changing technical ones (which can increasingly be acquired through on-line technologies).

### **4. Summary thoughts:**

Professionals must be distinguished by their capacity for critical thinking and independent judgment, based on enduring concepts, frameworks and principles, not fluid rules and regulations.

Ethics teaching must be integral to all university business courses, not just auditing.

Collaborative activities among professions about common aspects of ethics and building public trust should be encouraged, and could build societal trust in professions in general.

Regulation of ethical conduct can be viewed at three levels: self, profession and legislation. The first two are preferable, the third as a last resort.

Professional accountants in industry (NB. CFOs) would be strengthened by greater attention to corporate governance policies and processes that protect CFOs from undue CEO or other influence, and by greater attention by securities regulators to enforcement of the regulatory CEO/CFO certification requirements regarding internal control and fair

presentation (which do not call for compliance with any specified set of accounting standards). Competence and informed enquiry by audit committees of boards are also essential elements in oversight of the certification process. *[CPA Canada Guidance for Directors publications on these topics should be noted.]*

### **My Conclusion:**

**Professionalism, like the Ten Commandments, is an enduring set of values and principles that must be engrained in and guide the behaviour of all who wish to be recognized by society as a trusted source of expertise in a given field of service-providing activity from which they earn a living.**

**This must apply equally to those who work in all sectors - both in public accounting practice and firms (CPAs or otherwise), and all other accountants (CPAs) in whatever their field of employment. Education and pre-qualification training/experience must ensure that entrants to the profession are prepared accordingly.**

**Provincial professional bodies must uniformly across Canada monitor and discipline professionalism. Otherwise, we have no right to enjoy our statutorily endowed and respected Canada-wide and provincial-granted status as a profession of Chartered Professional Accountants. (NB. "Chartered" is a very special public distinction, over and beyond any self-declared "certified" designation.)**

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