



EFAA International Conference 2018 "Digital Transformation of SMEs"

**"All accounting firms need to become
technology firms"**
Vijay Kumar

Blockchain, Artificial Intelligence (AI), Data Analytics – What are the potentials of these technologies today? How secure is their use and how are they changing the economy and our society? And specifically, what does all this mean for small and medium sized accountancy and audit firms? These forward-looking questions were the basis for the presentations and discussions of the "EFAA International Conference - Digital Transformation of SMEs" on 21 June 2018 in Brussels. To this end, the European Federation of Accountants and Auditors for SMEs (EFAA) invited internationally recognized experts, representatives of the European Commission and representatives of its 16 member organizations to the capital of Europe.

In his opening speech to some 90 participants, EFAA President Bodo Richardt emphasized the importance of digitization for the future of the accounting and auditing profession. He explained that the objective of the conference was to contribute to more awareness for the needs of small and medium sized enterprises (SMEs) and practices (SMPS). But the conference was also designed to show the tremendous opportunities for SMEs and SMPs, if done right. The three panels of the conference therefore addressed "Digital Technologies", "Societal and Political Implications of Digitalization" and "The Digital Professional" with a focus on SMEs and SMPs.



Digital technologies

Noel de Rudder, technology expert of the Belgian Institute of Accounting and Tax Consultancy (IEC-IAB) and member of the EFAA Working Group on Digitization, moderated the first panel of the conference.

Leon Katsnelson, Director and Chief Technology Officer at IBM Digital Business Group, made the audience aware of the tremendous potential and impact of Artificial Intelligence. He referred to the particularly great opportunities in the areas of tax optimization and auditing, which would result especially for smaller firms. In his opinion, with the help of service providers, smaller firms could react much faster to the new possibilities of machine learning and artificial intelligence than large companies since they do not have a legacy of large old systems.



Narayanan Vaidyanathan, Head of Technology Insight at ACCA (the Association of Chartered Certified Accountants), highlighted the growing importance of Blockchain technology and its applications including Initial Coin Offerings (ICOs). By selling its own digital "coins" a new method of crowdfunding was created. The buyer does not acquire company shares but rather - similar to a coupon - the right to receive a future performance. Mr. Vaidyanathan underlined in particular the important distinction between coins traded like securities on a secondary market as a result of the ICO and coins that merely act as coupons. Depending on which variant would occur, coins might have to be treated legally as securities.

Marco Lourenco presented the evolution of cyberspace threats, such as the identification of theft and malware attacks, through the annual ENISA Threat Landscape Report. As Lead Cybersecurity Analyst at ENISA, the European Network and Information Security Agency, he emphasized that, especially for small and medium-sized firms, a cybersecurity concept and continuous employee training are of the utmost importance.



Societal and political implications of digitization

Led by the EFAA President Bodo Richardt the second session of the conference addressed the macroeconomic, social and political implications of digitization.

Maximilian Strotmann, Member of the Cabinet of Commission Vice-President Andrus Ansip, gave an insight into the European Commission's Digital Single Market plans. Digital services are to be made available across the EU without any gaps, and approaches such as a state-secured electronic identity offer new scope for digital services, including through tax consultants and accountants.



The professional policy response to the opportunities and challenges of digitalisation was also an important part of

the discussions. **Daniël Maes**, Head of the Education Unit at IEC-IAB (the Belgian Institute of Accountants and Tax-advisors), presented the activities of his institute for the support of small and medium-sized law firms in the field of digitization. This is ensured in particular by a working group on digitization, which is responsible for the dissemination of relevant content and permanent exchange of knowledge.

Vijay Kumar, Council Member of ICAI (the Indian Institute of Chartered Accountants), also highlighted digitization from the perspective of the profession and pointed to the substantive changes it is already producing in the Indian society. His radical plea that "all accounting firms" will disappear in their current form and will have to be reborn as technology enterprises caused a stir in the audience.

The Digital Professionals

The third panel finally turned to the accountant and auditor as a Digital Professional. Martin de Bie, digitalization expert of the medium-sized Dutch firm "216 Accountants" and Head of the EFAA Digitalisation Working Group, moderated the session.

Veronique Willems, Secretary General of the European SME Association UEAPME, gave insights into the changed realities and expectations of medium-sized customers. Online commerce and the immediate availability of meaningful data are becoming increasingly important and the SMP is expected to become a proactive co-thinker. Digital SMEs also simply expect Digital SMPs with competence not only in accounting but also in cybersecurity, datamining, data protection, etc.



The transformation of the American profession was presented by **Michael Cerami**, Vice President of the American Institute of Certified Accountants (AICPA). The processing of invoices, expenses and orders is now largely automated - even in small and medium-sized companies. He explained that to be successful law firms relocated their business and specialized in advice and counseling. They help their clients to look more into the future instead of only dealing with their past, as they did so far.



Angelique Koopman, Partner for Audit Innovation at Ernst & Young (EY), presented and explained the digital auditor. Audits already today were carried out largely model-based with an increasing role of AI and data analytics. The role of the auditor therefore shifted towards evaluating how to best use AI and how he can “cooperate” with machines.

The third session was concluded by **Griffin Anderson**, innovator in the automation of financial services and founder of Balanc3. Balanc3 monitors and automates blockchain-based transactions. The software is capable of automatically transposing the data stored in a blockchain into the formats required to meet reporting requirements.



EFAA President Bodo Richardt thanked all the speakers for their valuable insights and all representatives from the European Commission, the accounting profession and other major stakeholders from all over Europe for their interest and their valuable input in the discussions. He concluded that this conference was a significant and much needed forum for the exchange of information about digital developments and their implications (not only) for the small and medium sized enterprises and practices alike.