

*A new initiative from leading accountancy bodies aims to help development of technologies and ideas vital in directing the profession's future*

# Encouraging Innovation

The saying that one good idea leads to another has taken on particular relevance in the accountancy world recently, as several leading professional bodies have seen for themselves how talking about what started off as a single initiative has produced a forum in which great ideas can grow. The starting point was

as creator or adopter) current, leading-edge tools and services to meet the changing needs of business through a discipline and development process within each of their jurisdictions.

A recent three-day meeting of Network members in Hong Kong put the final touches to a Network Charter and Master Product Licence Agreement that will see imminent formation of the IIN as a formal organisation. Winnie Cheung, Senior Director of HKSA says, "The HKSA is very pleased to have had the honour to host this important IIN meeting. We were all delighted with the successful outcome of this meeting, and the formation of an Interim Co-ordination Committee will oversee the final stages leading to the official launch of the IIN in a few months' time."

*The Hong Kong Accountant* talked to members of the IIN Interim Co-ordination Committee<sup>1</sup> formed at the Hong



*All delegates attending the IIN meeting in Hong Kong*

WebTrust, an e-commerce assurance service with best practices designed to build trust and confidence in the electronic marketplace. When WebTrust was launched in the international arena by its two developers, the American Institute of Certified Public Accountants (AICPA) and Canadian Institute of Chartered Accountants (CICA), the initial thought was to promote this service to accountancy institutes outside North America.

However, as more accountancy bodies became interested in promoting the benefits of WebTrust to their members, the expanding network started to consider what other new and innovative services could be developed with an eye to an international as opposed to local accountancy market. And so, in 2001, the concept of the International Innovation Network (IIN), a global organisation under which this innovation and promotion could take place, was born.

In successive meetings held in Paris, San Francisco, London, Toronto and the latest in February in Hong Kong, the institutes are seeing an emerging range of new products/services and ideas being created and shared at the Network Forum. There was significant rapport amongst the institutes in their common desire to bring to their members (whether



Mr Alvin Wong, HKSA President, at his opening speech at the IIN meeting said, "Hong Kong Society of Accountants is pleased that the institutes have come together to take part in this international

initiative and cooperation to create a structure to facilitate international development and sharing of innovative products and services and we are very pleased to be a part of this initiative."

<sup>1</sup> Representing Asia Pacific – Allen Blewitt of ICAA, Winnie Cheung of HKSA; representing Europe – Denis Laxenaire of CSOEC, Sharron Gunn of ICAEW; representing North America – Cairnie Wilson of CICA, Anthony Pugliese of AICPA.

Kong meeting to find out more about the aims, objectives, concept behind the IIN and the meaning of this important international development to members of the profession.

Network members, who come from accountancy institutes in 20 countries based in Europe, the Asia-Pacific and the Americas, believe that the IIN will give them a useful platform to develop their members' skills and share ideas, products and services that meet the needs of professional accountants and their clients or employers.

"Our plan is to bring innovation to the marketplace, and get global participation not only in services we develop but in how we approach and capture global markets," says Sharron Gunn, Head of Technical Services & New Product Development at the Institute of Chartered Accountants in England and Wales.

Denis Laxenaire, Director, Nouvelles Technologies pour les cabinets, CSOEC-France adds that he sees IIN as not just a distribution channel but also a brainstorming group. "There's no point in re-inventing the wheel," he points out.

From the CICA, Vice President of Innovation Cairine Wilson is especially excited at the Network's potential. "Through the IIN, we can reach over one million accountants worldwide. This is something that any individual accountancy body could not do alone," she enthuses. Wilson's point addresses two of the main problems the AICPA and CICA found when promoting WebTrust. The first was the high costs involved in one-on-one product and service contract negotiations with other accounting bodies: the follow-on problem was that these negotiations often threw out "once only" issues, such as on quality control and indemnification.

"Innovation is expensive, so having global participation and sharing of ideas and costs is of enormous benefit," Anthony J Pugliese, Vice President - Member Innovation of the AICPA points out. "If we work on any particular product, it would be very beneficial to everyone if we could source ideas from other countries and incorporate them into a truly global product mix."



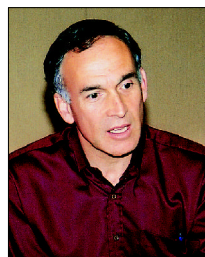
*Cairine Wilson*



*Denis Laxenaire*



*Anthony Pugliese*



*Allen Blewitt*



*Sharron Gunn*



*Con Conway*



*Winnie Cheung*

At the heart of the IIN lie two documents that are currently in final stages of ratification. The first of these is the IIN Charter, which outlines the international structure under which all initiatives can be marketed and promoted under one name and one brand; the Charter also outlines the Network's mode of operation. The second key document is a Master Product Licence Agreement, which provides a framework for the rights and obligations both of Network members who have created innovation products made available on the Network, and the members who receive and exploit the products. This document ensures that ownership and intellectual property (IP) rights in any new product remain with the creator institute, while the product is promoted by the IIN. Schedules will be added to the Master Product Licence Agreement as required to detail areas such as the standards required, fees, and so on, for each product and each country it is licensed in.

The accountancy bodies concerned feel that IIN presents all parties concerned with a win-win situation. Creators keep ownership and IP rights to their products, while allowing member institutes that they trust to promote the products in their home country, resulting in an increased market and royalty revenue streams. "Technology makes all these products much more transferable," Gunn points out. The adopters are given access to valuable products with a global reach, allowing them not only to increase their revenues from local licensing, but exposure to the innovation process.

"In time," says Cheung, "this movement of thoughts and ideas could eventually lead adopters to become innovators themselves."

Smaller markets get the benefit of international innovation without incurring the associated development costs, helping the professional development of members of the accountancy bodies in these countries. "Australia is a relatively small country in population terms, and geographically isolated," says Allen Blewitt, Deputy Chief Executive Officer of The Institute of Chartered Accountants in Australia.

"Development of these products and services can come



*(From left to right) Con Conway, Cairine Wilson, Anthony Pugliese, Sharron Gunn, Allen Blewitt, Winnie Cheung, Denis Laxenaire sharing views at the HKA interview with IIN Interim Co-ordination Committee*

from many different countries, and we can tap into the network to benefit from what the world profession is doing.”

“In Australia the profession is looking to develop products other than the traditional auditing, tax and accounting services. Our members are telling us that they want to diversify their product offerings, so by being a part of IIN we’re responding to our members as well as helping to lead the way. It’s a bit of a push and pull situation!”

Given that WebTrust (which will be transferred to the IIN stable) was the genesis for the Network, it is not surprising that some of the first products available are an expanded family of assurance services. These new services

include SysTrust, designed to give assurance on IT systems, and DataTrust, which covers assurance work on data compilation.

However, IIN’s portfolio of products will not be limited to assurance, but will also extend to other products and services that should prove just as useful to accountants in commerce as to their counterparts in public practice. “One of our key focuses is on members in industry who have traditionally felt marginalised while public accountants’ needs have been catered for,” says Wilson.

The catalogue of new ideas that have been discussed within the Network ranges from services such as assurance around non-financial information (such as systems security, reliability and privacy) to business and business evaluation/diagnosis tools and software, education and membership support programmes, as well as tools that aim at greater efficiency and effectiveness of the accounting, auditing and business processes.

The IIN collaboration charts the path for the future development of the accountancy profession in which globalisation and technology are the main driving forces. “Our clients have gone global and now we as a profession must follow suit,” says Laxenaire. “We must become e-accountants if we are to survive in the e-world and service our e-clients.”



*Delegates at IIN Meeting in Hong Kong in Feb 2002*



Blewitt agrees, and gives the example of lavender farmers in remote Northern Tasmania. “Today, these farmers plan their harvest by looking at the market price of perfume in Paris. Using the Internet, they find the prices, determine optimal harvest times, and manage the logistics of getting their harvest to Paris within three days. Their management and transactions are all done electronically, and their accountants have to be able to advise them on making best use of this process.”

Chairman of the HKSA’s WebTrust Committee Con Conway feels that while staying ahead of the game is vital, the profession needs to blend old skills with new. “As accountants become more IT-focused, we must bring our strengths from the past while adapting to a new skill set and products. The profession has been trusted for a very long time and we must ensure that this trust the public has in the profession continues.”

Cheung says the impact that global business and constantly developing technology have on the profession can only grow. She thinks that the IIN will provide institutes with a useful platform to develop and expand the services and skills of their members, especially allowing small and medium sized practices to enter areas normally

reserved for larger firms. “Members in business also benefit from the ability to implement many of the e-commerce and technology services and tools themselves for their employers. The role of the institutes are that of both a facilitator and initiator in the process of innovating the role of accountants in the knowledge-based economy, such that we continue to demonstrate to the market place that professional accountants are valued business partners.”

She draws an analogy between the birth of the traditional audit and what’s happening today in seeing the need for IIN’s precursor: WebTrust. The profession develops the financial reporting standards for adoption by companies and provides assurance of their compliance through the audit services it provides. The core element of WebTrust is a set of e-commerce best practice standards developed by the profession that set the benchmark for e-commerce operations, hitherto unspecified. Business are encouraged to implement these standards, while auditors can provide the assurance, or trust, that they are working as they should be.

“The need for good corporate governance applies to e-business in the same way as any other business, but most people seem to be ignoring the fact that IT governance is a vital component of the governance system”, Cheung

#### Member Bodies of the International Innovation Network

Argentina	Federacion Argentina de Consejos Profesionales de Ciencias Economicas
Australia	The Institute of Chartered Accountants in Australia
Austria	ISAAS
Belgium	Instituut van de Accountants en de Belastingconsulenten (IAB-IEC)
	Instituut des Reviseurs d’ Entreprises, Instituut der Bedrijfsrevisoren (IBR-IRE)
Canada	Canadian Institute of Chartered Accountants
Denmark	Foreningen af Statsautoriserede Revisorer
England & Wales	Institute of Chartered Accountants in England & Wales
France	CSOEC – Conseil Supérieur de l’ Ordre des Experts-Comptables
	Compagnie Nationale des Commissaires aux Comptes, CNCC Ordre des Experts-Comptables
Hong Kong	Hong Kong Society of Accountants
India	The Institute of Chartered Accountants of India
Ireland	The Institute of Chartered Accountants in Ireland
Israel	Institute of Certified Public Accountants in Israel
Italy	Consiglio Nazionale dei Dottori Commercialisti
Japan	The Japanese Institute of Certified Public Accountants
The Netherlands	Koninklijk Nederlands Instituut van Registeraccountants (Royal NIVRA)
Norway	The Norwegian Institute of Public Accountants
Scotland	The Institute of Chartered Accountants of Scotland
Spain	Instituto de Auditores, Censores Jurados de Cuentas en Espana
	Instituto de Censores Jurados de Cuentas en Espana
Sweden	Foreningen Auktoriserade Revisorer (FAR)
USA	American Institute of Certified Public Accountants

emphasised. “Electronic business requires the maintenance of certain standards and adherence to certain forms of behaviour in order to impart the necessary trust, as it isn’t supported by the traditional paper audit trail. WebTrust comprises a full set of comprehensive best practice and assurance standards for e-commerce, and we believe that in time it will set the market benchmark that people will demand in all e-commerce operations.”

“With WebTrust, the institutes’ roles are to develop standards, quality control and training. The same provisions will apply to the other assurance services



*Delegates at the IIN Meeting in Hong Kong in Feb 2002*

and client- and business-oriented products promoted through the IIN.”

“We’re positioning ourselves as trusted business advisors and building on this and on our recognised skills as business financial analysts,” says Blewitt. “People trust us because of our education, regulation, quality control and professional ethics,” Cheung adds. “With the assurance services generated through the IIN, we’re using the same concept as lies behind traditional accounting and auditing standards, while taking these forward to meet a new generation of business needs. The additional services that will come out of IIN will only serve to position us even better to meet these changing requirements. It really represents the next stage in the development of our profession.” **HKA**

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