The growth opportunities for CPAs are much larger than anyone imagined. The profession’s current accounting and auditing income—about $7 billion annually—could double or triple through the introduction of new assurance services. And the opportunities are open to CPA firms of all sizes.

But change will not come without effort. New services must be identified, new competencies must be developed, a customer-focused mind-set will be needed and competition and other barriers must be overcome. Nevertheless, great opportunities are available for all CPAs.

That was the conclusion of the American Institute of CPAs special committee on assurance services, which began studying the economics of the audit-assurance function more than two years ago and recently reported its findings and recommendations. The report is available on the Internet—as part of the AICPA Web site (www.aicpa.org).

This article is the first in a series that will highlight findings and suggestions from the special committee’s report. The article describes the extent of the new opportunities and the concept of assurance services.

LOOKING BEYOND THE TRADITIONAL ROLE

The opportunities are both impressive and timely. The special committee found clear evidence that financial statement audits are a mature product. Accounting and auditing revenue, adjusted for inflation, has remained flat for the last seven years. The traditional audit of financial statements adds value to both users and clients, is widely appreciated for its effect on the integrity of the capital markets, contributes to the CPA’s reputation for objectivity and integrity and will continue to be in demand in the future. But the greatest opportunity for growth lies in assurance services. A close look at potential customers and the trends changing the practice environment shows why. The need for information services is exploding and in those needs lie opportunities for the CPA profession. The core benefit of the audit-attest tradition—information improvement—provides a foundation for new value-added services.

The quality of the information that organizations and individuals use will increasingly influence their fates.

Decision makers’ needs are influenced by the headlong pace of economic change, the intensity of competition and heightened levels of interdependency—both global and domestic. A higher proportion of economic inputs to corporate operations is “knowledge work,” a term coined by business writer Peter Drucker to describe the activities of workers who manipulate knowledge. By definition, knowledge work is information-dependent.

Information technology is transforming the way data are created, stored, transmitted, accessed and interpreted, making possible measurements and reports with timeliness, breadth, accuracy and analytical features that are a quantum jump from the best of paper—and-pencil days. Information can be part of a modern business problem—when essential facts are available but can’t be located amid virtual mountains of data. But brought to bear on decisions, it also can be a huge part of the solution.

Accountability is playing an increasing role in social, economic and political life. All sorts of stakeholders in groups, political units and organizations want those who affect their lives to be accountable for the
ASSURANCE SERVICES

Assurance Services: Implications for Academia

Accounting students need to prepare for a practice world that includes the new assurance services. This means professors should both revise the curriculum and perform the research that will accelerate the move to assurance services. If adaptation progresses ideally, greater synergy will develop between college campuses and public practitioners than ever before, strengthening accounting as an academic discipline.

CURRICULUM CHANGES

The reforms championed by the Accounting Education Change Commission are under way and will serve emerging assurance services very well. But more still needs to be done. For example:

- Student communications skills should be enhanced, and the enhancement should dovetail with an emphasis on customer needs. Students should better understand users' decision-making processes.
- Students should learn the strategic implications of information technology. What does it mean, for example, for the conduct of transactions, future markets, business structure, teamwork, cost control and building intellectual assets? Students should have access to the specific information technology knowledge needed to provide new services.
- Students need skills in model building and measurement theory they can adapt to specific service needs.

A solid understanding of a reliable, comprehensive business model (such as business strategist Michael Porter's value-chain model) can substantially empower practitioners to analyze business circumstances and processes, identify needs for information services and explain those needs.

The assurer can improve the information's reliability, relevance or context.

Thus, if CPAs are going to take advantage of assurance service opportunities, they must stretch their perspective

E X E C U T I V E  S U M M A R Y

- THE INTRODUCTION OF NEW ASSURANCE services could double or even triple the CPA profession's $7 billion accounting and auditing income. But the new opportunities will not come easily. New services must be identified, new competencies developed and barriers will have to be overcome.
- THE REPORT OF THE AICPA SPECIAL committee on assurance services is available on the Internet as part of the AICPA Web site (www.aicpa.org). In the report the committee defined assurance services as "independent professional services that improve the quality of information, or its context, for decision makers."
- WITH ACCOUNTING AND AUDITING income flat for the last seven years, the CPA profession's greatest opportunity for growth lies in new assurance services. The special committee developed business plans for six services covering diverse areas such as elder care, electronic commerce, performance measurement, the delivery of health care services, risk information for internal decision makers and information systems design and operation.
- THE SPECIAL COMMITTEE recommended that CPA firms identify assurance services for their own markets and that the AICPA identify services for the profession as a whole. The newly formed assurance services committee will continue the Institute's service development efforts.
- THE ASSURANCE SERVICES WEB SITE is designed to support two of the special committee's conclusions—that the profession must focus on its customers and that facility with information technology is essential to the profession's future. Web site visitors can select from one of several perspectives that highlight the findings most important to their segment of the profession.

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RESEARCH NEEDS
A great variety of research also would help the profession’s expansion into new assurance services. Here are some examples of the kind of research that would serve practitioners and classroom needs as well as expand the frontiers of the accounting profession:

• Decision makers’ information and assurance needs.
• Measurement criteria needed to perform specific services.
• Relevance enhancement services (services to assure that decision makers have the right information).
• Assurance methods and reporting (such as the concept of “assurance risk”).
• Criteria for identifying risks and assessing their likelihoods.
• Criteria for assessing the integrity and security of electronic commerce.
• Systems design reliability and continuous systems assurance.

The special committee’s action plan for academics is located at www.aicpa.org/assurance/scas/howaffct/academ/apa/index.htm vs/elderpl/index.htm.

beyond financial statements. Decision makers’ information needs will guide the range of services CPAs provide.

IDENTIFIED SERVICES
CPAs can get some idea of that range, at least at this early stage of service expansion, from the services the special committee already has identified. The committee developed business plans for 6 services, explored several others in abbreviated form and identified over 200 more through a survey of services already provided. These are the business-plan services:

1. Provide assurance to concerned parties about whether care delivery goals for elderly individuals are being met (see the sidebar for right for more information).
2. Assess whether the information features of electronic commerce function in accordance with accepted criteria. The service would provide assurance with respect to the integrity and security of electronic transactions, electronic documents and supporting systems.
3. Assess the relevance and reliability of an entity’s performance measures. Potential engagements include assessing the reliability of the information reported from an organi-

ElderCare-Plus
The elderly—an increasing proportion of the population—need services to cope with the effects of the aging process and can afford to pay for them. The wealth controlled by persons over age 65 is estimated to be $11 trillion to $13 trillion. ElderCare-Plus—as the AICPA special committee on assurance services has dubbed it—helps the elderly and concerned family members. In this situation, the basic assurance service CPAs can provide is to obtain evidence and report whether specified goals are being met by various caregivers—including providers of medical, household and financial services. The specified goals would be established in discussions with the elderly person and his or her adult children or other family members.

Adult children who live too far away from an elderly parent to personally monitor the care the parent receives are candidates for this service. The CPA can report on care received and also help by providing some services directly to the elderly parent and by providing some consulting or facilitating services for the older person and his or her loved ones.

A mix of ancillary services would be integral to the typical engagement. The CPA might, for example, oversee investments (though not invest funds) and account for the client’s income and expenses. Other potential services include help in selecting care providers and making arrangements for needed care and services (for example, arranging for in-home sitters and cooks, for transportation or for placement in a retirement care facility).

MARKET POSITIONING
The CPA’s reputation as an independent, honest, objective and reliable professional will be a market advantage in competing for this kind of work. Many CPA firms provide tax or financial planning to clients who are or could become candidates for ElderCare-Plus. These market advantages will be helpful because a variety of competitors already deliver portions of the service. They include welfare agencies, geriatric specialists, bank trust officers and lawyers.

CPAs appear well positioned to take advantage of this market. Market research commissioned by the AICPA confirms that elder care is an opportunity for CPAs and that trustworthiness is important to potential customers. According to Yankelovich Partners, 89% of higher income Americans age 40 to 64 would be “extremely,” “very” or “somewhat” likely to use services in the ElderCare-Plus package if the need arose.

CPA QUALIFICATIONS
CPAs already have the measurement and reporting skills needed for the job, although they would need additional training. The AICPA has developed an elder care self-study course. (The course can be ordered on-line at www.aicpa.org/store/products/732022.htm.) In addition, Practitioners Publishing Co., in conjunction with the special committee, has developed relevant practice aids, including material on communicating with older persons, Social Security, Medicare and Medicaid, long-term care and planning for contingencies (CPAs can download a sample at www.ppcinfo.com/scas/scas.htm).

The special committee’s complete report on ElderCare-Plus is located at www.aicpa.org/assurance/scas/newsvs/elderpl/index.htm.
zation's performance measurement system, assessing the relevance of an organization's performance measures, identifying performance measures for organizations that need them and helping to design and implement a performance measurement system.

4. Assess health care providers' performance for the decision-making benefit of care recipients and their representatives (such as corporate employers and unions).

5. Improve the quality of risk information for internal decision makers through independent assessments of the likelihood of significant, adverse events and quantify the possible magnitudes of the effects.

6. Provide assurance that systems are designed and operate in a manner that provides reliable information or operate according to accepted criteria.

The estimated market for electronic commerce assurance services alone is between $1 billion and $11 billion; for elder care, between $2 billion and $7 billion. Information systems reliability also is a market estimated in the billions of dollars, and risk assessment is estimated at 10% to 20% of annual audit fees.

Systems and information technology naturally play a prominent role in the new assurance services. They are part of how information for decision making is gathered and deployed and used in transactions. More opportunities will open up as the information technology revolution continues. Practitioners' information technology knowledge and skills will affect not only the range of new assurance services they can avail themselves of but also the way they adapt their traditional services to changing circumstances.

IDENTIFYING NEW ASSURANCE SERVICES
The special committee recommended that CPA firms identify services for their own markets and that the AICPA identify services for the profession as a whole. The newly formed assurance services committee will continue the Institute's service-development efforts. Its task forces already are developing the services identified by the special committee. Customer focus will play an important role in the move to new assurance services. Effective service identification depends on understanding customers' needs.

The traditional audit, with its standard report and measurement criteria designed to enhance comparability across all reporting entities, is a general purpose service. The specific information needs of individuals and groups will dictate new assurance services. To identify these needs, practitioners will require a new mind-set, communications skills, business knowledge and the capacity to make inferences from relationships between business circumstances and economic and industrial trends. The special committee's report includes information on how firms and individual CPAs can identify customer needs and turn them into services. It can be found at www.aicpa.org/assurance/scas/comstud/amodel/index.htm.

THE WEB SITE REPORT
The Web site report is designed to be consistent with two of the special committee's main conclusions—that the profession must focus on its customers and that facility with information technology is essential to the profession's future. The Web site report treats readers as its customers and attempts to meet their needs. A visitor to the Web site can select from one of several perspectives that highlight the findings most important to someone in his or her profession.

How to Read the Web Site Report
The Internet is a resource for pursuing assurance and other services. CPAs can keep up with professional news, do research and conduct business by establishing a Web site and making contacts with potential clients. They also can join a group and interact with their peers, exchanging practical, money-making ideas. The assurance services Web site links to the group page called "CPAs Discuss Assurance Services" as well as to the "Report of the AICPA Special Committee on Assurance Services" page.

INTERNET ACCESS
To get started, you need a modem, an Internet service provider and a Web browser (that is, a program for locating and viewing Web sites)—along with a computer. The AICPA recommends you use either Microsoft Internet Explorer or Netscape Navigator to view its site, preferably the most recent versions. A 14.4 Kbps modem or higher will be sufficient. The Institute's affinity program with NETCOM, an Internet service provider, gives participating AICPA members unlimited access and comes with Microsoft Internet Explorer.

FUNDAMENTALS OF NAVIGATION
Basic procedures to navigate the Web site are given below. Users of the special committee's CD-ROM will navigate the same way.

Every Web page (a separate location within a site)—and the site's home page—has an address (technically known as an URL) and can be reached directly by typing the address in the Web browser. To reach the special committee's report, for example, you would type www.aicpa.org/assurance/scas/index.htm.

Once you find a page of interest on the AICPA Web site, you have options about what to visit next. You can return to the prior page (the "back" button on the browser) or to the home page ("home" in the path at the top left of the page). By clicking on underlined terms (links), you reach the Web page dealing with the subject indicated by that term. Graphics other than buttons also may be used as links by site designers.

You can "bookmark" sites by selecting "Add Bookmark" from the bookmarks menu for Netscape Navigator or "Add to Favorites" from the favorites menu for Microsoft Internet Explorer. A bookmark makes a later visit easier, and can be made simply by selecting from the list in the bookmarks (favorites) menu.
Forgotten anything? Don’t worry. The AICPA site tutorial is at www.aicpa.org/tutor/index.htm. Visit the tutorial to review these fundamentals and to learn more.

SITE MAP
At the assurance services Web site (www.aicpa.org/assurance/sitemap/index.htm) is a map of the site (see illustration below). You can reach specific locations directly by clicking on the graphic element containing the subject name you’ve chosen. The site map can take you to the special committee’s report and all its major sections and to “Ongoing Assurance Services Development,” which will keep you up-to-date on the assurance services committee and its task forces.