

Challenges and Opportunities of Accountancy Profession: SAFA Perspectives



Ever since being appointed as President of South Asian Federation of Accountants on 1st January 2017 after serving as its Vice President in the year 2016, Mr. ASM Nayeem, FCA, has been commendably spearheading the vision and mission of this important regional body of accountants for the cause of the accountancy profession. A Past President of the Institute of Chartered Accountants of Bangladesh (ICAB), Mr. Nayeem is known for his global professional outlook and vision. In this special write-up written for The Chartered Accountant journal, he talks about challenges and opportunities for accountancy profession in SAFA perspective. SAFA as a forum of professional accountancy bodies is committed to positioning, maintaining and developing the accountancy profession in SAARC Region and ensuring its continued eminence in the world of accountancy; in the public interest and towards broad economic development of the region. Read on...



ASM Nayeem

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Introduction

The accountancy profession plays a key role in optimising the effective use of the productive assets of the world. The profession, represented by its members called professional accountants, covers the accountability, financial and strategic aspects of business. Most professional accountants either work



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in public practice or in business. The area of work of both the streams of accountancy profession is mainly focused on the private sector business arena. Since the business world, has been changing at an accelerated pace over the years, the accountancy profession has been facing challenges to cater to the changing needs of the business. And behind these challenges lie the opportunities for the accountancy profession to contribute value to the business, society and public. Similar wave has also started hitting the South Asia region---the countries of SAFA member bodies. In the wake of such challenges, professional accounting bodies and their members should be prepared to respond professionally and effectively.

The challenges mainly stem from increasing globalisation of business, continued globalisation of financial reporting standards, increasing regulatory and statutory requirements and technological innovation, though there are other factors unique to South Asia. Let us now look at the challenges being faced by the accountancy profession and how these challenges can be turned into opportunities, particularly in the context of South Asia.

1. Globalisation of Business

Continued globalisation of business encourages the free flow of investments across the globe and intensifies competition. This in turn requires increasing expertise of the human resources, manning the organisations, to deal with the varied functions effectively and efficiently. This has impacted the expected role of professional accountants in business, engaged in finance functions. Their traditional role of number crunching and looking after the financials only has now changed. Now they need to be a strategist as well so that they can contribute effectively in steering and veering their organisations in this increasingly competitive business environment. Though globalisation has to an extent been negatively impacted by Brexit and Trump's taking over of the Presidency of USA, I think it is a temporary hick-up which is likely to fade away in the foreseeable future.

The globalisation has created opportunities for the professional accountants all over the world including South Asia. It has brought new foreign investments in the South Asian region, a home of about one-fourth of the population of the world. This has not only impacted on the role of professional accountants in business, as

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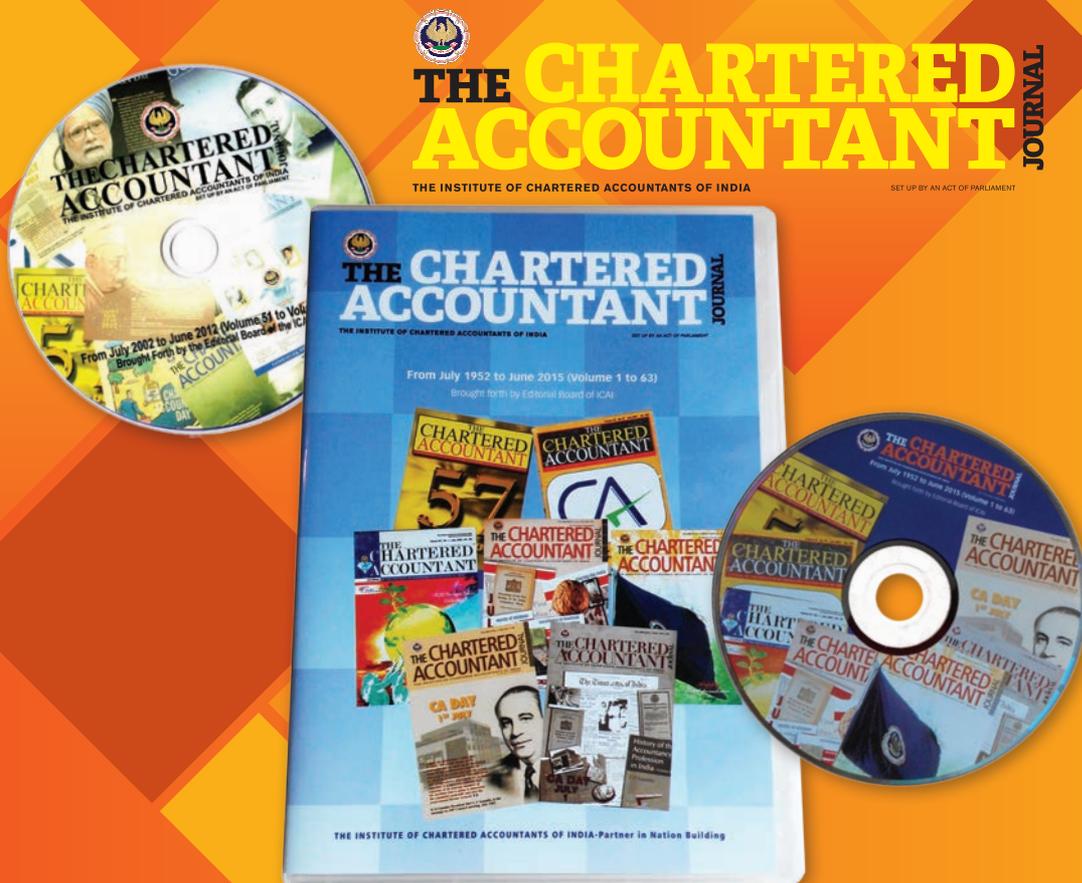
stated earlier, but has also impacted on the role of the professional accountants in practice. The professional accountants in practice are now not only providing audit and assurance services, but also business advisory services as strategic partners of the business houses. The practising accountants should become trusted advisors to the business in order to avail the opportunities to the highest possible level.

With increasing globalisation, demand pressures on one side of the world can have significant impact on the other. This has resulted in outsourcing of services by the western countries to South Asia, particularly India. And the professional accountants in South Asia are enjoying the opportunities of such trickle-down effects.

2. Globalisation of Financial Reporting Standards

Accounting is the language of business. So it is important that the same language is used in the accounting/financial reporting function. This helps comparability and understanding of the financial statements of different business organisations and thus facilitates investments, particularly in capital market and also FDIs. Keeping this in mind, the International Accounting Standards Board (previously International Accounting Standards Committee) has issued a good number of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) over the years. IASB has also been continuously revising/amending such standards to cater to the new developments/changes in their requirements to service the business world. Issuance of new IFRSs and frequent revisions/amendments thereto pose a challenge on the professional accountants to keep themselves updated with the latest Standards so that the measurement, recognition and disclosure provisions of the

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The journal of the Institute, *The Chartered Accountant*, started its journey with an eight-page Bulletin in January 1950 and this Bulletin transformed into a full-fledged journal in July 1952, which had a circulation of less than 5000 copies. The journal, brought out monthly since July 1952, has a circulation of more than 274,000 copies today. It is available in many digital versions :-

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Standards are duly followed while preparing and presenting financial statements. This has posed a challenge to the accountancy profession all over the world including the South Asian region.

India has gone for convergence with IFRSs whereas, Bangladesh, Pakistan, Nepal and Sri Lanka follow IFRSs, though using different names in their respective jurisdictions.

The SAFA member bodies and their members have to keep themselves updated with the latest Standards to turn this challenge into an opportunity. This has created demand for professional accountants with up-to-date knowledge of IFRSs and the required skill for implementation of IFRSs. This enhanced demand has created more job opportunities for professional accountants in business and more assignments for advisory and quality audit services for professional accountants in practice.

3. Increasing Regulatory and Statutory Requirements

Increasing regulatory and statutory requirements pose challenges to the professional accountants, be they in practice or in business. In South Asia, such increasing regulatory and statutory provisions are made in the security and exchange laws/regulations, tax laws, foreign exchange regulations, etc. Increased regulation is imminent because of tax avoidance and evasion, transfer pricing, capital market manipulation, money laundering, etc.

Now that accountancy oversight body/Financial Reporting Council is going to be in place in some South Asian countries in near future, more and more regulations are expected to be on the way. The professional accountants need to learn such new requirements and unlearn the old ones to advise/guide their clients/organisations so that they not only comply with the same, but also take advantage of the same through timely planning and implementation of the same. PAOs should

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focus more on capacity building of the member firms so that they can deliver quality audit, and are not subjected to disciplinary action by the accounting oversight body when put in place.

4. Increasing Technological Innovation

The rapid technological advancement is gradually moving the whole world towards digital economy. The developed countries have already increased the use of digital technology as their business solutions. The South Asian countries are also increasingly moving in that direction. As a result, professional accountants need to use increasingly sophisticated and smart technologies to enhance their traditional ways of working. These technologies are even replacing the traditional approach of auditing. The technological advancement poses more challenges to SMPs compared to large accountancy firms in practice.

Increased demand for information system audit has created an opportunity for the professional accountants in South Asia. Advancement of technology has also increased the speed, accuracy and flexibility of the works of the professional accountants.

Professional accountants in business as well as in practice need to embrace the change dictated by the increasing technological innovation so that they are not left behind. If they embrace the change and keep themselves tuned to the latest technologies, they can reap as they sow.

5. Competition from Unqualified Accountants

There is an increasing threat to the profession from unqualified accountants who can now create their own website and start a business from home. Unlike solicitors or so, anyone call himself an accountant without any form of training or professional qualification. Professional accountants are subject to the code of professional conduct issued by the PAO of which they are members. Unqualified accountants often have fairly narrow skill sets, yet technology gives them the ability to compete. And businesses do increasingly turn to them for help and guidance, mainly because of lower fee consideration. The risk that businesses are taking in potentially receiving poor advice could reflect negatively on the accountancy profession and

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result in an erosion of the trust and reputable status that the professional accountants have earned over the decades.

The South Asian region has started to face such challenges increasingly from the unqualified accountants. The PAOs may move with their respective governments for providing some statutory/regulatory protection to the profession from such threats.

6. Integrated Reporting

Because of the world-wide financial crisis and the ongoing environmental crisis, the issue of integrated reporting has started getting highlighted, particularly in the developed countries. The demand for producing integrated reports is on the rise. This is likely to be the second revolution in accounting since double-entry bookkeeping began.

The integrated report contains consistent and unified information on organisational overview, external environment, governance process, business model, risks, opportunities, strategies, performance and reporting guidelines.

The professional accountants need to be well-versed with the knowledge and skill of producing integrated report which is a kind of organised report that includes interrelated information about several internal and external aspects of an organisation being reported on.

Though gradually integrated reporting is likely to take over, particularly in the case of public interest entities, I think it will take at least another 10 years for integrated reporting to be well in place in South Asia. Nevertheless, the professional accountants should start learning the requisite skill and become a change agent.

7. Marketing of Services

Unlike the western countries, all the Professional Accountancy Organisations (PAOs) of SAFA

countries prohibit solicitation of clients and advertisement of their services. As a result, the professional accountants in practice are at a disadvantageous position while competing with non-accountants or non-professional accountants for the same services to clients/potential clients. I think all the SAFA member bodies should revisit their code of ethics related to marketing of services, and bring the same in line with the IFAC Code of Ethics and the western countries. This will create a level playing field, to some extent, to compete with others from outside the profession for the same or similar services. This will thus enhance the work opportunities for the professional accountants in practice.

8. Change in Audit Environment

There has been an accelerating change in the audit environment of the western world. Mr. James Roberts, in his article *"Bang Your Drum"* published in the Issue 218 of 2017 of *Audit & Beyond*, says that *"Reforms in audit have resulted in new ethical and technical standards and technological innovation has led, for example, to increasingly widespread use of data analytics. These changes have helped to drive innovation in the use of technology by the larger audit firms. At the same time, extended audit reporting has given more insight to users of financial statements of the biggest companies. It is important that professions can express their purpose and their value to society. It seems to me that we need to "sell" audit in this way to demonstrate our value and, in a sense, to justify the privilege of being a professional service that is largely required by law rather than brought purely by choice"*.

None of the SAFA member bodies have yet adopted the extended report (ISA 701). I think the extended auditor's report, by giving more insight to the users of financial statements, will demonstrate, to a degree, the value of our audit.

9. Expectation Gap

In South Asia, a visible gap exists between the auditors' own perception of their functions and the society's expectations from the auditors. This expectation gap arises because the users of financial statements are not only shareholders, but various other groups, including creditors, employees, government, banks, financial

institutions and society at large. The auditors need to safeguard the interests of the shareholders as well as of the public. Since such diverse interests have to be catered to, the auditor's role is coming under increasingly microscopic scrutiny. The auditors are expected to detect frauds and thus prevent the issuance of defective financial statements.

The SAFA member bodies need to be more proactive to eradicate this expectation gap by interacting more with the society and clarifying about the purpose of audit and the role of auditors.

10. Level of Audit Fee

Generally speaking, the audit fee in South Asia is much lower compared to the western countries. In some South Asian countries the audit fee is extremely low. As a result, in most cases the audit firms, particularly SMPs, are unable to attract good students and high quality staff to service their clients. This certainly affects the quality of audit and also limits their ability to provide diverse and high quality professional services.

The PAOs in their respective jurisdictions of South Asia should take up this issue seriously for increasing the audit fee level. Besides, there should be unity among the practicing firms not to undercut, but to enhance the fees. Besides, the firms should try to add value to the audit by conducting quality audit and giving valuable audit observations along with recommendations for improving controls in their letters to the management.

Compared to South Asia, the branding of accountancy profession is fantastic in Europe and North America. The accountancy profession in South Asia needs to enhance its branding significantly to increase its audit face level.

11. Public Private Partnership in the Field of Audit

In South Asia, the Government sector auditors are mainly focused on rules and regulations and also financial irregularities. The professional accountants working together with the government auditors are likely to bring more professionalism in the audit of government projects and expenses. Because of their limited human resources, many government projects and expenditures in some SAFA countries remain

unaudited for a long time. Through outsourcing to the professional accountants in practice, this backlog can be reduced. The PAOs can work in this direction.

12. Audit of World Bank/ADB Funded Projects

There are many World Bank and ADB funded projects in the South Asia countries. The professional accountants can be engaged in conducting risk-based and performance-based internal audit of these projects, instead of focusing only on the financial and compliance audit. The PAOs may consider taking up the matter with World Bank and ADB accordingly.

13. Networking among the Accounting Firms

In south Asia, big and mid-tier firms are comparatively well equipped with their professional knowledge and skill because of sharing of their knowledge, process and technology through out the global network. But the SMPs in the SAFA countries are deprived of such sharing of knowledge and skill. This can be overcome through networking among the firms at the national level. Besides, their capacity may be enhanced through effective collaboration and merger. PAOs can also help in their capacity building by conducting required training through workshops.

SAFA can also provide a platform to the SMPs for enhancing their technical and professional capacity. This can be done through setting up an effective web-based Virtual Knowledge Training Centre (VKTC) which is already in progress.

14. Continuous Professional Development

The complex and constantly changing environment in which the professional accountants function requires a broad understanding of economic issues and a lifetime

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continuous education. To some degree, these needs can be met through participation in the activities, seminars and workshops organised by PAOs and many competent associations in the financial field. The PAOs in South Asia are aware of this requirement and are trying to do the needful. But I think it should be much more extensive and practical oriented.

Conclusion

With the increasing globalisation, roll-out of new technology, new accounting and auditing standards and regulations, changes in the business environment are inevitable. The changing business environment is constantly impacting the work of professional accountants, be they in practice or in business. Such changes resulting in challenges along with many others have been discussed above. While discussing the challenges, I have also focused on the ways as to how professional accountants can turn such challenges into opportunities. It is necessary to

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Of course, the notion that a professional accountancy qualification obtained in early twenties is sufficient for life is quickly evaporating. They need to be on a life-long learning, and need to frequently re-skill themselves to cater to the changing needs and demands of the society they service. They must embrace and prepare for challenges, and they must also prepare for seizing the opportunities.

think about some of these issues in terms of threats and competition. Of course, in every profession there are challenges and opportunities. We should be aware of both.

Automation will replace many jobs, but since employee cost is cheaper in South Asia, this impact of automation will be less and gradual here. At the same time, outsourcing of services to the South Asian region will increase. And the professional accountants can take advantage of this. Of course, the notion that a professional accountancy qualification obtained in early twenties is sufficient for life is quickly evaporating. They need to be on a life-long learning, and need to frequently re-skill themselves to cater to the changing needs and demands of the society they service. They must embrace and prepare for challenges, and they must also prepare for seizing the opportunities. Those professional accountants who have the vision, who have the values and who have the capacity can work their way through. ■



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