

Strong PAOs Leading to Economic Growth



Confederation of Asian and Pacific Accountants (CAPA), as part of its mission, aims to assist the professional accountancy organisations (PAOs) in their development and growth. PAOs are membership bodies comprised of individual accounting and auditing professionals. Effective PAOs have the ability to provide and maintain the accountants to effectively meet the requirements of their jurisdictions. CAPA understands how the accountancy professionals put in their efforts to maintain the health of their respective economies. Through its 2012-initiative PAODC (Professional Accountancy Organisation Development Committee), CAPA works to assist PAOs and promote the value of professional accountants across the region. CAPA President CA. Manoj Fadnis in this article confirms that CAPA has been acting strong towards strengthening of the PAOs in the Asian and Pacific region. Read on to understand the CAPA perspective on the matter...

Professional accountancy organisations (PAOs) are the Institutes, of which the professional accountants, both in public practice or in business (employment) are the members. Accountancy profession is directly related to the economic activities. Stronger

the profession, greater will be the impact. For the profession to mature and take up an active role, it becomes important that the PAO is also strong. National professional accountancy organisations (PAOs) are integral to developing and maintaining a strong and sustainable accountancy profession that serves the public interest and contributes to the growth and stability of economies.

Confederation of the Asian and Pacific Accountants (CAPA) has been working actively in building up the strong PAOs in the Asian and Pacific region. CAPA is a Regional Organisation



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Special Write-Up

(RO) affiliated with the International Federation of Accountants (IFAC). IFAC is a global organisation *dedicated to serving the public interest by strengthening the (accountancy) profession and contributing to the development of strong international economies*, and its members are all PAOs with an interest in the development and growth of accountancy profession globally.

Professional Accountancy Organisation Development Committee (PAODC) of CAPA is focused on the development of strong and sustainable professional accountancy organisations by identifying, developing and sharing relevant knowledge, tools and guidance. PAODC to further these objectives has prepared a *Maturity Model for the development of Professional Accountancy Organisations*¹.

To guide PAOs in their development, CAPA has designed “the maturity model,” a framework created to help PAOs undertake an organisational self-assessment and identify opportunities for development and improve upon it.

The maturity model has been designed as a user-friendly, open approach to helping organisations identify their current state of development and create an action plan for achieving an appropriate level of maturity.

In building the maturity model, all accepted criteria for qualification as a PAO were taken into account, including the IFAC Statement of Membership Obligations (SMO), as well as many other generally recognised criteria.

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Each of these KSAs is considered important; however, the emphasis may vary based on the organisation concerned. For example, the extent of the organisation’s focus on auditing, the public sector, small-to-medium practitioners, or accountants in **business will dictate which KSAs are most beneficial** to that organisation.

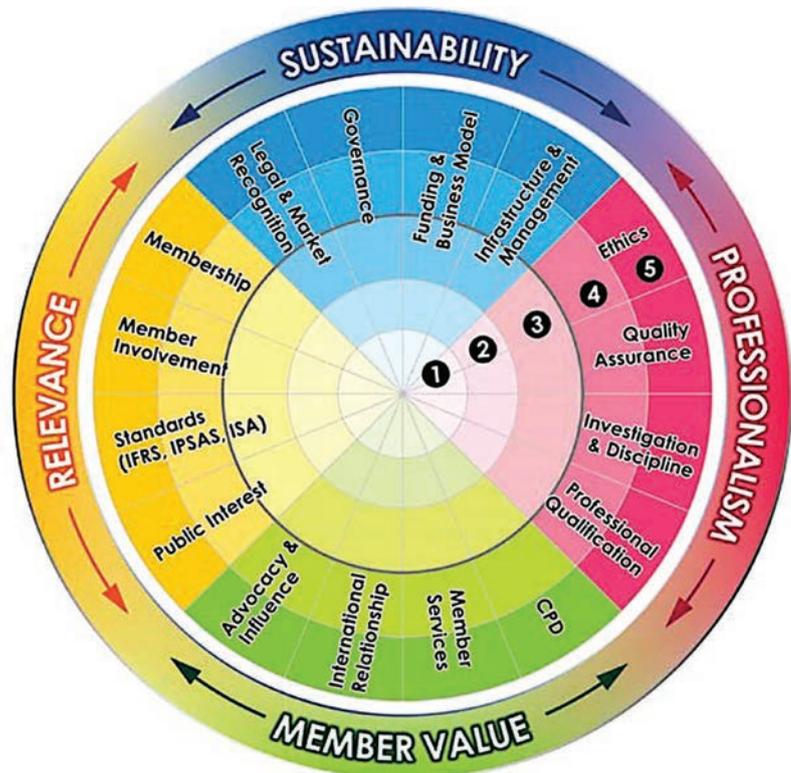


Exhibit 1: The Maturity Model²

The model comprises the sixteen Key Success Areas (KSAs) across four broad characteristics, which are presented around the outside of the model as:

1. Sustainability
2. Relevance
3. Professionalism
4. Member Value

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¹ 2014, CAPA. (available at www.capa.com.my)

² p.9, Maturity Model for the development of Professional Accountancy Organisations; CAPA (2014).

Special Write-Up

small-to-medium practitioners, or accountants in business will dictate which KSAs are most beneficial to that organisation.

The application of the model by each organisation can therefore be tailored to suit the specific nature, focus or stage of development of that organisation. For more information on each of these key factors, see the Attribute Tables section. There are a total of sixteen attribute tables, each corresponding to one KSA. These tables were created by bringing together a wide range of accountancy organisations to consider the KSAs, to identify important aspects of each, and to pinpoint the attributes most readily identifiable with, and necessary for, accountancy organisations at different stages of development or maturity. Note that these lists of attributes are not necessarily exhaustive and may therefore be viewed as examples.

first of the two reports, provided details and insights behind those numbers. It highlighted the importance of professional accountants to growing economies and compared the profession's growth with total employment growth within regions. The overall picture showed a profession in demand, growing steadily, and making significant contributions to all areas of society.

The *Nexus 2* makes a bold statement: *...the point at which the need for strategic thinking meets the accountancy profession is the nexus at which good decision-making helps strengthen organisations and advance economies, in the public interest.*

Exhibit 2: Attribute Table Section³

Characteristic	Key Success Areas	Description
SUSTAINABILITY	Legal & Market Recognition	An acknowledged reason to exist
	Governance	Oversight, direction and control arrangements
	Funding & Business Model	A strategy and plans for long-term viability
	Infrastructure & Management	Appropriate systems, processes and people
RELEVANCE	Membership	Criteria for admission and levels of membership
	Member Involvement	Member needs and views understood
	Standards*	International technical standards adopted and implemented
	Public Interest	Generates benefits for all society
PROFESSIONALISM	Ethics*	Established standards of conduct for professionals
	Quality Assurance*	Standards for delivering services to the public
	Investigation & Discipline*	Maintains standards of membership
	Professional Qualification*	Established required-competency benchmark
MEMBER VALUE	Continuing Professional Development*	Supports member competency
	Member Services	Responds to member needs; provides value
	International Relationships	Internationally connected and continually improving
	Advocacy & Influence	Recognised voice on topics of relevance

* These KSAs link to IFAC's Statements of Membership Obligations (SMOs)

In 2015, IFAC commissioned independent economics and business research consultancy, Cebr, to analyse their membership data from 2009 to 2013.

Nexus 2: The Accountancy Profession—A Global Value-Add⁴, is the second of two reports that look behind Cebr's analysis and provides a snapshot of the accountancy profession's economic contribution to the global economy, and to society. *Nexus 1: The Accountancy Profession, Behind the Numbers⁵*,

The Key Findings of this report are:

1. **Economic Development and Improved Living Standards are Linked to a Robust Accountancy Profession:** Accountants play an important public interest role, working throughout society to strengthen organisations and enhance economies. There is a strong link between a robust profession, economic prosperity and improved living standards - including better life expectancy, more years of schooling, and higher income.

³ p.10, *Maturity Model for the development of Professional Accountancy Organisations*; CAPA (2014).

⁴ Published in 12th November 2015 by IFAC.

⁵ Published in 13th October 2015 by IFAC.

2. **Economic Contribution of Global Accountancy Ecology is \$575 Billion; IFAC PAO Members Contribute \$248 Billion:** This substantial global economic contribution—defined as gross value added (GVA)—of accountants is comparable to the contributions from some mid-sized developed economies. This contribution is critically important to governments, policy-makers, businesses, and the public, with whom the profession works to promote economic growth and prosperity. Beyond this direct contribution, accountants play an important role throughout global society enabling production and growth across economic sectors.
3. **Biggest Contributions from Europe and North America; Opportunities Exist in Other Regions:** The profession makes the largest economic contributions in developed economies—particularly in Europe and North America. Other regions of the world present an opportunity to contribute more to the global economy. IFAC and its member organisations are actively engaged in building capacity and developing the profession in those regions.

This study has also identified trends, opportunities and challenges for the global profession, including:

1. **Critical Role of Professional Accountants in the Global Economy and Their Economic Contribution to Society:** IFAC and the accountancy profession must continue to work with governments, policy-makers, regulators, businesses, and the public to ensure that the profession's contribution to businesses, communities, and the economy is recognised and developed. What more can we do to highlight the profession's global economic contribution? Are there different—or new—metrics or systems that can be utilised in this effort?
2. **Growing Profession in Developing Nations:** The profession is critically important to resilient, transparent, and accountable economies. IFAC—and the profession in developed nations—must continue to help build capacity in emerging nations to support their economic growth and stability, and integration into the global economy. Much is already being done by PAOs to support capacity building in developing countries, but how do we stimulate the flow of

The global economic contribution of individuals defined as accountants by national statistics, but not affiliated with an IFAC PAO, is \$327 billion. This figure highlights a significant opportunity for the global profession to be even more coordinated and impactful, and thus contribute even more to economic growth and prosperity.



additional development funds for the benefit of the profession?

3. **Attracting Accountants to, and Educating and Training Them Within, a Global Profession:** The global economic contribution of individuals defined as accountants by national statistics, but not affiliated with an IFAC PAO, is \$327 billion. This figure highlights a significant opportunity for the global profession to be even more coordinated and impactful, and thus contribute even more to economic growth and prosperity. What more can PAOs do to attract members to PAOs? What new skills should the profession be promoting to potential candidates—and what new skills do the next generation of accountants need?

The Nexus 2 report clearly identifies the value being created by the accountancy profession to the society. The biggest contribution is in Europe and North America and this is no surprise. These are the most economically developed regions. What is important is that the big opportunities arise in the other jurisdictions. It is therefore, important that the PAOs strategise themselves so that its members can contribute and harness the benefits of the economic growth.

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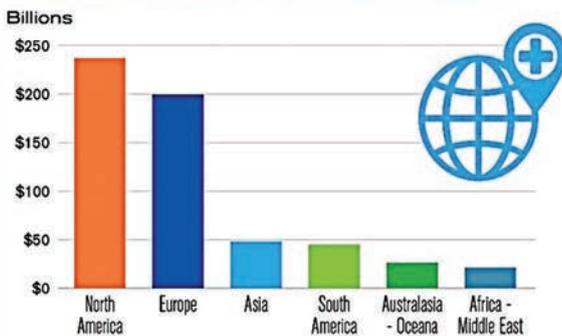
THE GLOBAL ACCOUNTANCY PROFESSION MAKES A SUBSTANTIAL ECONOMIC CONTRIBUTION

Economic contributions are often described in "gross value added" (GVA) terms—roughly speaking, the sum of employee compensation, profits, surpluses, and taxes on production.

\$575 BILLION: THE ESTIMATED GVA OF THE GLOBAL ACCOUNTANCY ECOLOGY.

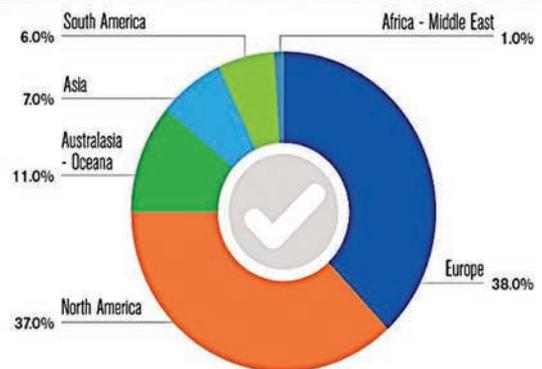
This exceeds total GVA of many developed, mid-sized countries.

ANNUAL GROSS VALUE ADDED (GVA)



Australasia, with relatively few accountants, and the Middle East and Africa, with relatively smaller value added, have about half the accountancy-related GVA of South America and Asia.

ANNUAL GROSS VALUE ADDED (GVA) OF IFAC PAO MEMBERS (2013)



The GVA of IFAC PAO members totals approximately

\$248 BILLION

or about **43%** of the global accountancy ecology

Three quarters of this 'IFAC GVA' is estimated to come from North America and Europe. Australasia is the third-highest GVA contributor. The accountancy profession is unique in terms of its global organization and its broad adherence to internationally accepted professional standards. The economic contribution of IFAC PAO members will continue to grow alongside professionalization and capacity building efforts.

(Source: Nexus 2: The Accountancy Profession—A Global Value-Add, IFAC, 2015; p.10)

It is also important to note that the PAOs need to give to their members not necessarily what the members desire but more importantly what they need. The desire is from a personal angle while the need is from the point of view of the society. A member certainly would not like the Quality Review and the mandatory nature of the Continuing Professional Education and so many such other measures. But certainly, from the point of view of the society these are important to retain the public confidence.

To remain sustainable, there must be, not only a strong financial position, but also a regular inflow of the students. The Institute of Chartered Accountants of India (ICAI) is blessed with both the aspects. Being the second largest professional accounting body in the world and with more than 2.70 lakh members and 8 lakh students today, India has a comfortable financial position.

Also, it cannot be ignored that India is the second largest in terms of its population. Financial position is always relative and is, therefore, not an assurance that the same will continue for ever. Therefore, complacency is not acceptable and it should never be allowed to set in. Periodic review of the course curriculum by ICAI is necessary and this must continue in the years to come. The Council must take strong decisions, like increase in membership fees, strong regulatory environment, increased focus on compliances and so on. As an individual member, one needs to support it for the overall good of the profession. As IFAC is the single voice of the profession globally, the Council of ICAI has to be the single voice of the profession in India. Ultimately, the stronger ICAI is, better it will serve the country first and then the profession. ■