

Introduction

In 2015, the Association of Southeast Asian Nations (ASEAN) Economic Community (AEC) was established—representing a major milestone in the regional economic integration agenda in ASEAN—offering opportunities in a market worth USD 2.6 trillion with over 622 million people. As a result of this strengthened collaboration and engagement, over the last decade, countries in the AEC have seen an increase in investment in agriculture, natural resources, and infrastructure sectors.

Professional accountancy organizations (PAOs) in the region have demonstrated that there is a commitment to meet international standards for the benefit of the region despite many PAOs' nascent stage of development. It has become well-recognized that a properly functioning accountancy profession is essential in enhancing domestic investors' confidence and attracting foreign direct investment. Moreover, an educated and competent profession supported by strong PAOs is also integral to the public sector to ensure successful and sustainable public financial management reforms and the promotion of improved governance practices, accountability, and transparency.



IFAC has found—through a day-long, interactive workshop—that several opportunities exist to further develop the profession through PAO-driven initiatives within the region. These include enhancements not only in the application and implementation of the international standards and best practices that underlie the IFAC [Statements of Membership Obligation](#) but also in key areas such as sustainability, institutional capacity-building, advocacy and stakeholder engagement, and supporting professional accountants in business and small- and medium-sized practitioners.

Exploring and Sharing Common Solutions

IFAC recognizes the importance and value of bringing together stakeholders to discuss, identify, and share common challenges and solutions to tackle issues that affect the accountancy profession. In July 2017, in a workshop co-organized by the IFAC and the Vietnam Association of Certified Public Accountants (VACPA), more than 80 individuals representing 15 PAOs in the Southeast Asia—ASEAN region and neighboring Asia-Pacific countries gathered alongside regional organizations, and donor and development agencies to navigate the three pillars of IFAC's [PAO Capacity Building Framework](#) which reinforce the accountancy profession:

- Standards & Enforcement;

- PAO Sustainability; and
- PAO Relevance

With guidance from members of both the IFAC [Compliance Advisory Panel](#) (CAP) and the [PAO Development Committee](#) (PAODC), workshop participants took stock of the current state of the accountancy profession in the ASEAN region and discussed challenges, best practices, and solutions and success stories on the following topics:

- Successes and Challenges with Establishing Effective Mechanisms for Quality Assurance (QA) and Investigation and Discipline (I&D);
- Successes and Challenges with the Adoption of the International Standards on Auditing (ISA) and the IESBA Code of Ethics;
- Harmonization of Educational Standards in the Region;
- Building a Successful PAO—Institutional Capacity – focuses on Capacity Building of the PAO;
- Building a Successful PAO—Advocacy and Engaging with Key Stakeholders – focuses on building rapport with other key stakeholders in government, development, and international partners;
- Supporting a Profession Relevant to Accountants in Business;
- Supporting Public Financial Management (PFM) Reform; and
- Supporting Advocacy for SMPs/SMEs.

The ideas, examples, and learnings that follow reflect the contributions of workshop participants.

Standards and Enforcement

Recognizing and adopting international standards developed through the consensus of experts and stakeholders not only reduces the time lag in ensuring standards are up to date, but they are also tools for reducing barriers to trade and advancement. This connects to the objectives of the AEC and in fact, most of the ASEAN PAOs have acknowledged the need to adopt and adhere to the international standards and best practices related to accounting, auditing, ethics, education, public-sector accounting, QA, and I&D. While more developed jurisdictions have mechanisms in place to ensure an ongoing adherence to international standards, many of the developing jurisdictions in ASEAN are still searching for the best solution to keep current with the standards.

Accounting and Auditing

These challenges have often been attributed to the lack of technical resources, a lack of available translations or a significant time lag in standards' translation and overlapping legal responsibilities of multiple accountancy regulators for setting and implementing standards. In some cases, this has led to the adoption of outdated standards. For example, participants from Vietnam expressed that knowledge gaps exist between local and international firms regarding the most up-to-date standards to apply, thus placing the local firms at a disadvantage. Local firms generally do not have the technical and human resources to maintain the ongoing adoption of international standards and PAOs are presently unable to provide the necessary technical support to assist local firms. Overall, participants noted the importance of strategically identifying the types of resources—human, financial, and/or technical—that their PAOs need in order to implement an ongoing adoption process and thereby, support local firms. Similarly, representatives realized

the value of engaging with stakeholders and international agencies early in the adoption process to solidify relationships and communication channels.

Recently, the [World Bank Center for Financial Reporting Reform](#) (CFRR) has been actively engaging with the region through a partnership between the CFRR and the ASEAN Audit Regulators Group (AARG). Under this partnership, the CFRR provides technical resources and shares knowledge related to audit regulation knowledge-sharing amongst members of the AARG (Indonesia, Malaysia, Singapore, and Thailand). The CFRR is also working with other ASEAN jurisdictions to develop audit regulation.

Education

Educational programs continue to be the foundation of the accountancy profession and for professionals to truly be able to cross borders and work in AEC countries, participants highlighted the need to bring education requirements in line with international standards and establish regional benchmarks that are within the scope and reach of all PAOs. Participants pointed out that there are knowledge and information gaps between what is being taught in the local curriculum and what is required for application in the local environment. This challenge has placed a



greater demand on PAOs to ensure that their own programs and curriculum are aligned with international standards. Participants agreed that with the support of international stakeholders, there is an opportunity for PAOs to promote the value of international standards to be included in the accountancy curriculum of the local universities. Additionally, it was also noted that in many of the developing jurisdictions there is a concern with the lack of quality around practical training. Among the possible solutions discussed, participants acknowledged that there needs to be a more concerted effort to integrate the knowledge and perspective of both academic and industry circles to harmonize and deliver meaningful practical experience training to individuals pursuing an accountancy career.

Quality Assurance and Investigation & Discipline

While the leadership of PAOs understand the importance of having QA and I&D mechanisms in place to ensure quality and enforce proper application of the standards, participants emphasized the need to improve the sensitization and communication of the importance of the mechanisms among professionals and the public. For example, in Cambodia, the Ministry of Economy and Finance partnered with the World Bank to host an [Audit Quality Assurance workshop](#) to openly discuss the establishment of an Audit Quality Review Mechanism in the jurisdiction. In the Philippines, the [Philippine Institute of Certified Public Accountants](#) (PICPA) established a voluntary QA review mechanism for its members, with the assistance of the World Bank and the [Association of Certified Public Accountants in Public Practice](#) (ACPAAP). PICPA then organized workshops with the World Bank and the [Board of Accountancy](#) (BOA) to share and discuss best practices and technicalities related to implementing a QA review system, and also collaborated with the ACPAAP to offer joint symposiums and informational workshops on the system. These examples highlight the importance of communication and engagement with stakeholders.

As a result of the discussions, two solutions were proposed by the audience as a step towards securing high-quality audits. The first proposal is that membership with the PAOs be mandatory for all professional accountants that provide services to public interest entities, thereby reinforcing the importance of having functioning, sustainable QA and I&D systems for the benefit of the public interest and investor confidence. The second solution would be for PAOs to consider the establishment of an independent organization to improve the perception of transparency. As PAOs consider the large array of stakeholders they might need to engage with as part of these efforts, IFAC's [Finding Your Voice: PAOs, Advocacy, and Public Policy](#) may be a helpful starting point.

PAO Sustainability

In general, competent and capable professionals supported by a strong PAO, contribute significantly to the sustainability of businesses, sound capital markets, effective stewardship of public finances and delivery of public services, and economic growth.

What does it mean in practice for a PAO to be sustainable to make long-term progress and impact?

For the AEC countries, participants identified the following factors that make a PAO sustainable:

- A clear and objective strategy;
- Seize opportunities to develop volunteers and utilize their expertise;
- Be outward-looking, utilizing experiences and expertise of other PAOs and stakeholders;
- A sound value proposition, and a proper mechanism to engage stakeholders;
- Support from the regulators and other areas of government that understand the role of the PAO and of the profession, possibly including regulators within its governance structure;
- A stable regulatory environment by pushing for representatives from the PAO to participate in relevant decision making among policy makers; and
- Confidence and knowledge to speak out in the interest of the profession and avoid waiting for international help.

Of utmost importance is that the enablers listed above are ultimately **created and implemented by the PAO**. For instance, the representatives of the [Myanmar Institute of Certified Public Accountants](#) (MICPA) explained how their efforts and initiative to work with national regulators resulted in the successful amendment of the existing laws, which in turn enabled the establishment of a PAO that is independent of the regulator's oversight and can operate in a stable environment.

Sustainability is rooted in PAO-driven initiatives thereby making effective leadership and PAO governance paramount to ensuring effectiveness, efficiency, and sustainability of PAOs in the AEC. The [Malaysian Institute of Accountants](#) (MIA) offered their experience in executing a clear and objective strategy stemming from good governance practices. The MIA has incorporated the IFAC SMOs into its strategic plan which makes supporting the entire accountancy profession and adhering to international best practices an integral part of its organizational operations and outlook.

PAOs that are seeking to spur good governance procedures may find IFAC's [Establishing Governance: A Guide for Professional Accountancy Organizations](#) to be useful.

PAO Relevance

PAOs primarily satisfy stakeholder expectations and demonstrate their relevance by providing services that support and enhance the competence and credibility of their members and the environments in which they operate. This entails providing services for the array of accountancy professionals that work in the private and public sectors, professional accountants in business (PAIBs), small- and medium-sized practitioners (SMPs), and auditors.

This is particularly important for the ASEAN region to consider as there has historically been a single focus on the audit profession. While some of the PAOs do recognize non-audit professionals, there is a



demonstrably lack of energy and resources being directed to support these individuals who are part of a diverse industry. For example, PAIBs are often employed in a position of strategic or functional leadership or otherwise well-placed to collaborate with other disciplines to help drive their organizations' sustainable success. Likewise, professional and competent accountants in the public sector are essential to high-quality and transparent financial reporting that enables citizens to hold their governments accountable. The

[MOSAIC PAO Global Development Report](#) highlighted that greater efforts are required to unlock PAO potential to support public sector accountancy and public financial management, and that there is a need to raise awareness, among both government and PAO stakeholders, of the relevance and value of PAOs to their work. Finally, SMPs often face challenges in keeping up with new regulations and standards, pressure to lower fees, adapting to new technological developments, and retaining qualified personnel and staff.

During the workshop discussions, many of the participants acknowledged that PAOs and Regional Organizations could do more to support professionals in these fields, especially since most regulator bodies and government agencies focus on auditors. The [ASEAN Federation of Accountants](#) (AFA)—a regional grouping of ASEAN PAOs—has already started to move in this direction. In collaboration with Association of Chartered Certified Accountants (ACCA) and the Chartered Accountants Australia and New Zealand (CAANZ), AFA established the [AFA Research Grant initiative](#) as a catalyst to support and guide the profession in the region to address and meet the needs of SMEs.

Furthermore, a shift in strategic planning to assist non-auditors could lead create additional avenues to showcase a PAO's value and relevance and contribute to its sustainability. For example, the [Institute of Singapore Chartered Accountants](#) (ISCA) developed [The Micro Accounting Model \(MAM\)](#) which is designed to facilitate micro, small and medium businesses (MSME) operating in ASEAN to adopt accounting practices that align with the IFRS. The MAM is designed to be a practical tool for standard-setters and PAOs in emerging economies that will help raise the overall standards of the profession and contribute towards stronger investor confidence. While ISCA is an excellent example of this type of value creation for SMEs and SMPs, participants recognized that overall presently there is a lack of technical capacity and financial resources among PAOs to fully enhance their support for non-auditing professionals. However, they did identify the following ways that PAOs in the region could start to enhance their relevance:

- Explore areas around CPD for non-audit professionals, which could also become an additional source of income for the PAOs;
- Encourage PAIBs to specialize in certain areas and offer CPD in those areas;
- Establish a connection with public sector entities, provide training and assistance for public sector professionals, thus increasing exposure and revenue;
- Proactively tap into the available resources of global bodies with capacity to provide assistance—for example, IFAC's guidance on [*Engaging Professional Accountants in Business: How to Build a More Relevant PAO and Profession*](#);
- Share experiences and learn from other PAOs in forums organized by the regional bodies.

Moving Forward

In closing, representatives from the [*Asian Development Bank*](#) (ADB), AFA, [*Confederation of Asian and Pacific Accountants*](#) (CAPA), World Bank Group, and the IFAC PAO Development Committee reflected on the day's discussions to identify areas of possible assistance from the global and regional accountancy community. Combined, the organizations have a wealth of technical tools and resources that are free and publicly available for PAOs to utilize when addressing the respective issues.

The donor community and PAOs already recognize that the ASEAN region is one of continued growth and that the accountancy profession has made significant progress with limited resources. More importantly, there is a need and desire among all countries to continue advancing. To do this, however, PAOs must drive their own solutions to local concerns and continue to avoid waiting for outside assistance. Excellent starting points that PAOs should consider in this regard are to maintain dialogues and interaction amongst each other and increase their collaboration among government entities and other relevant regulators to ensure positive accountancy reforms are implemented.