

III. Professional Infrastructure

This chapter describes the professional accountancy infrastructure in Sri Lanka. It is structured as follows:

- 1 – Introduction – describes the development of Sri Lanka’s accountancy profession.
- 2 – Professional Regulation and Organization – describes the laws and organizations that regulate the profession and the professional bodies that represent accountants.
- 3 – Institute of Chartered Accountants of Sri Lanka (ICASL) – describes the framework, and activities of the ICASL, the national professional accountancy body.
- 4 – The Chartered Accountant Designation – sets out the requirements for the Chartered Accountant designation and compares these against international guidelines.
- 5 – Other Sri Lankan Accountancy Bodies – describes the membership of other Sri Lankan professional accountancy bodies.
- 6 – Foreign Accountancy Bodies – describes the presence and activities of foreign accountancy organizations within Sri Lanka.
- 7 – Quality Control and Assurance – describes and examines international guidelines on quality assurance.
- 8 – Issue Synopsis: Professional Infrastructure – summarizes the issues identified in this chapter.

1. Introduction

The first (British) professional accountancy examinations were held in Colombo in 1920. However, it was not until 1941 that the colonial government established the Accountancy Board to prescribe regulations and conduct examinations for selecting suitable candidates for the government accounting service. Those selected by the Accountancy Board through its examinations were called ‘Ceylon Registered Accountants’.⁶⁵

In 1950, following independence, the *L.M.D. de Silva Commission on Company Law* recommended that a professional accounting body—the Institute of Chartered Accountants of Ceylon (ICAC)—be created. Due to an unstable political situation, this was only achieved nine years later

⁶⁵ Yapa, P.W. Senarath. 2001. *Empowering the Accounting Profession in Sri Lanka*. Paper presented to the Second Accounting History International Conference (Osaka, Japan): 8-10 August.

when the *Institute of Chartered Accountants Act (No. 23) 1959* provided for the establishment of ICASL as the national professional accountancy body.^{66,67}

ICASL had 121 founder members at establishment. The need for more accountants (among other technicians and professionals) was a pressing national issue following independence. In 1963, the *Commission of Inquiry on Technical Education* observed that there were just 271 financial accountants and 15 cost accountants employed in Sri Lanka by 1961. In 1973, the Government directed ICASL to establish a special committee to investigate the Future Training of Accountants (FTA).

One of the FTA Committee’s main findings was that ICASL’s system of education and training—based largely on the traditional British articleship practice—could not meet Sri Lanka’s emerging economic and social needs. As a response, ICASL introduced new examination structures in 1976 and membership increased to about 500 by 1980.⁶⁸

In common with the United Kingdom, Sri Lanka’s professional accountancy infrastructure is largely self-regulated and characterized by a plethora of competing professional bodies. Where relevant, this chapter compares Sri Lankan professional arrangements with international standards and guidelines (see Appendix II).

2. Professional Regulation and Organization

The Sri Lankan accountancy profession is largely self-regulated and comprises a range of professional bodies (see Table 8). However, ICASL membership is required in order to conduct audits of SBEs (see page 25).

Table 8. Organization and Regulation of the Sri Lankan Accountancy Profession

Governing Laws	The <i>Institute of Chartered Accountants Act (No.23) 1959</i> governs the Sri Lankan accountancy profession. ICASL Members are also recognized in several other laws (for instance, the <i>Sri Lanka Accounting and Auditing Standards Act (No. 15) 1995</i>).
Regulatory Bodies	The profession is largely self-regulated (i.e., no regulatory bodies have been established in relation to professional regulation).

⁶⁶ ICASL. 2000. *Institute of Chartered Accountants of Sri Lanka 1999 Annual Report*. p. 40.

⁶⁷ The Institute of Chartered Accountants of Sri Lanka (ICASL) was originally called the Institute of Chartered Accountants of Ceylon (ICAC).

⁶⁸ Yapa, P.W. Senarath. 2001. *Empowering the Accounting Profession in Sri Lanka*. Paper presented to the Second Accounting History International Conference (Osaka, Japan): 8-10 August.

Table 8. Organization and Regulation of the Sri Lankan Accountancy Profession (*continued*)

Professional Organizations		Members ⁶⁹
	Sri Lankan bodies:	
	▪ ICASL	2,170
	▪ Association of Accounting Technicians of Sri Lanka (AATSL)	2,738
	▪ Society of Certified Management Accountants of Sri Lanka (CMASL)	638
	▪ Institute of Internal Auditors (IIA)	50
	▪ Institute of Public Finance and Development Accountancy (IPFDA)	1,754
	Foreign bodies:	
	▪ Chartered Institute of Management Accountants Sri Lanka Division (CIMASL)	1,434

3. Institute of Chartered Accountants of Sri Lanka (ICASL)

Introduction

In 1950, the *L.M.D. de Silva Commission on Company Law* recommended to government that an Institute of Chartered Accountants of Ceylon be established. This recommendation was acted upon only in 1959, when the Minister for Commerce presented a Bill in Parliament to incorporate the Institute of Chartered Accountants of Ceylon. The *Institute of Chartered Accountants Act (No.23) 1959* came into operation in December 1959.⁷⁰

The Institute Council

The Council of the Institute is responsible for the administration and management of the Institute. The Council also conducts qualifying examinations, supervises and regulates student education and training, secures the maintenance of professional standards among members and promotes the profession's advancement.

⁶⁹ Many members hold multiple memberships (e.g., an ICASL member may also be a member of CMASL and CIMA). Moreover, substantial numbers of members practice overseas (for instance, 42 percent of ICASL members).

⁷⁰ ICASL. 2000. *Institute of Chartered Accountants of Sri Lanka 1999 Annual Report*. Colombo: ICASL. p. 40.

The Institute Council initially comprised the President and 11 ministerial appointees. However, with the *Institute of Chartered Accountants (Amendment) Act (No. 15) 1998*—the Council now comprises the President, Vice-President, six members selected by the general membership and eight ministerial nominees.

The Council's main duties are to: (i) conduct qualifying examinations and to prescribe courses of study therefore; (ii) supervise and regulate student education and training; (iii) maintain professional standards, and acquaint members with the methods and practices necessary to maintain standards; (iv) encourage research in accountancy and related subjects; and (v) secure the profession's well-being and advancement.

Affiliations

The Institute is a member of the following bodies:

- Asia-Oceania Tax Consultants' Association (AOTCA).
- Confederation of Asian and Pacific Accountants (CAPA).
- IFAC.
- International Accounting Standards Committee (IASC).
- International Auditing and Assurance Standards Board (IAASB).
- South Asian Federation of Accountants (SAFA).
- Organization of Professional Associations (OPA).

The Institute is also represented in the following bodies:

- Computer and Information Technology Council (CINTEC).
- Company Law Advisory Committee.
- SEC.
- Postgraduate Institute of Management.
- National Institute of Business Management (NIBM).
- SLAASMB.
- Sri Lanka Institute of Advanced Technical Education.

Memberships

Institute members are either Associates or Fellows:

- People who have completed the Final Examination and have satisfied the practical training requirements are eligible to apply for admission as a Member (Associate Chartered Accountant, ACA).
- Associate Members who have satisfied the Council that they have acquired the required Continuing Professional Education (CPE)

credits, thus successfully completing the Fellowship Examination may apply for admission as a Fellow Member (Fellow Chartered Accountant, FCA).

Certificate to Practice

Associate or Fellow Members, with at least two years practical training in a firm of practising Chartered Accountants after obtaining the Final Certificate, may apply for a Certificate to Practice. Once the Certificate is issued, they may practice as accountants or auditors.

Educational Requirements and Examinations⁷¹

The Institute provides training and administers examinations to Registered Students—it had over 14,000 Registered Students in 2001. A new examination scheme was introduced in 1999.

The qualifications accepted for Registered Student enrolment include: (i) an approved university degree; (ii) Sri Lanka or London University GCE Advanced Level passes; (iii) successful completion of certain examinations from the Sri Lanka Technical College; (iv) completion of certain professional examinations from CIMA, ACCA, ICSA, Institute of Financial Accountants (IFA, UK), Association of International Accountants (AIA, UK), AATSL, AAT (UK), Institute of Bankers (Sri Lanka or UK); (v) Attorney-at-Law of the Supreme Court of Sri Lanka; (vi) membership of the Chartered Institute of Marketing; (vii) membership of the Sri Lanka Government Accountants' Service; and (viii) membership of the Sri Lanka Government Audit Service.

The Institute's qualification structure comprises four levels: Foundation, Intermediate, Final I and Final II (see Table 9). Appendix 12 provides further details on these courses.

The Institute provides related education and training programs to its Registered Students through correspondence courses and lectures. Study halls are available to students and the Institute maintains a library for the benefit of students and members.

⁷¹ Primary Sources:

- ICASL. 2000. *Students' Guide*. Colombo: ICASL.
- ICASL. 1999 December. *Practical Training Guide*. Colombo: ICASL.

Table 9. ICASL Examination Structure⁷²

Level	Languages	Component Papers
Foundation	Sinhala, Tamil or English	<ul style="list-style-type: none"> ▪ Introduction to Financial Accounting (including systems and procedures) ▪ Introduction to Decision-making Techniques (Financial Mathematics, Statistics and Elements of Operations Research) ▪ Introduction to Business ▪ Business Communication I
Intermediate	Sinhala, Tamil or English	<ul style="list-style-type: none"> ▪ Auditing ▪ Commercial Law and Tax ▪ Financial Accounting ▪ Business Finance and Decisions ▪ Business Communication II
Final I	English only	<ul style="list-style-type: none"> ▪ Advanced Financial Accounting and Reporting ▪ Corporate Law ▪ Management Information Systems and Information Technology ▪ Management Accounting
Final II	English only	<ul style="list-style-type: none"> ▪ Financial Management ▪ Advanced Auditing ▪ Advanced Taxation ▪ Strategic Planning and Management

Practical Training and Experience⁷³

Training requirements with respect to duration, commencement and scope are being reviewed at present. Currently, at least three years of practical training under the supervision of an Institute Member are required for Institute admission. At the Intermediate level—the two-year training period starts only after passing (or being exempted from) the Foundation examination. However, a one-year reduction is allowed in certain circumstances (e.g., for university degree holders). A further two years of approved practical training is required at the Final level before admission to Associate Membership.

The practical experience must be gained with approved practical training organizations, classified into the following categories: (i) the Audit Sector, which includes firms of practising Chartered Accountants and the Auditor-General's Department; (ii) the Non-Audit Sector which includes organizations that employ Chartered Accountants; and (iii) Both Sectors.

⁷² ICASL. 2000. *Students' Guide*. Colombo: ICASL.

⁷³ ICASL. 1999 December. *Practical Training Guide*. Colombo: ICASL.

Each year of approved practical training must comprise a minimum of 1,250 hours. Student trainees are required to sign training agreements and submit training records and quarterly summaries.

Training Activities

The Institute organizes regular seminars and training on technical subjects such as auditing, taxation, management services, accountancy education, accounting principles, and information technology.

Professional Ethics

IFAC pronouncements on professional ethics include: the *Code of Ethics for Professional Accountants*, the *Statement of Policy of Council: Implementation and Enforcement of Ethical Requirements*, and IEG 10: *Professional Ethics for Accountants: The Educational Challenge and Practical Application*. The ICASL Council approved the Institute's *Code of Professional Conduct and Ethics* in November 1975—the Code was most recently updated in 1993.⁷⁴

4. The Chartered Accountant Designation

Table 10 sets out the ICASL membership requirements—international and selected regional requirements are presented for comparison. IFAC recommends that the appraisal process be founded upon the key components of a professional qualification, falling into: (i) education – entry standards/body of knowledge; (ii) examinations – tests of professional competence; and (iii) experience – relevant to the practice function.⁷⁵ Furthermore, IFAC requires that CPE be a requirement for practising accountants.

A recognized university degree is not a prerequisite for the Chartered Accountant qualification. Although unusual, this arrangement does accord with IFAC requirements. Justifications include: (i) with a few exceptions, Sri Lankan university standards are generally recognized as inferior to ICASL's education program; and (ii) Sri Lankan universities are subject to frequent strikes and other disruptions, which limit educational quality and can substantially extend a student's program of study.

⁷⁴ ICASL. 1993 February 12. *Institute of Chartered Accountants of Sri Lanka—Code of Professional Conduct and Ethics*. Colombo: ICASL.

⁷⁵ IFAC. 1995 June. *Statement of Policy of Council: Recognition of Professional Accountancy Qualifications*. New York: IFAC.

Table 10. Professional Accountancy Qualifications⁷⁶

Requirement	International	Sri Lanka (ICASL)	Philippines
Education	Recognized education program (IFAC: IEG 9, Para 26).	✔ A range of entry qualifications are accepted—a university degree is not necessarily required.	✔ Four-year bachelor degree, majoring in accountancy.
Examination	Yes (IFAC: IEG 9, Para 44).	✔ Yes.	✔ ✘ Yes, multiple-choice questions.
Practical Experience	Minimum of three years practical experience in an appropriate, supervised environment (IFAC: IEG 9, Para 49).	✔ At least three years for university degree holders and four years for others.	✘ None, a CPA with no practical experience can conduct audits and issue audit opinions. Although the introduction of practical experience is being considered.
Continuing professional education (CPE)	Annual minimum of 30 hours, or 90 hours over each three-year period, of structured learning activities (IFAC, ISAR).	✘ Recommended but not mandatory. Follows the practice of ICAEW.	✘ None. Although the introduction of mandatory CPE is being considered.

5. Other Sri Lankan Accountancy Bodies

There are four other Sri Lankan accountancy bodies in addition to ICASL.

Association of Accounting Technicians of Sri Lanka (AATSL)

In 1986, the Government worked with ADB to prepare a *Master Plan for Accounting and Auditing Education*. Among other things, the Plan revealed a shortage of accounting personnel at the technician level. In a move to address this shortage, AATSL was established in December 1987 at the initiative of the ICASL.

The objective of AATSL is to produce technician-level accounting support staff. The AATSL had 2,738 members at 31 March 2001. AATSL is an associate member of IFAC and CAPA.

⁷⁶ Table adapted from: Favere-Marchesi, Michael. 2000. Audit Quality in ASEAN. *The International Journal of Accounting*. Vol 35(1). pp. 121-149.

Society of Certified Management Accountants of Sri Lanka (CMASL)

The CMASL was registered in June 1998 and launched in June 2001—it had 638 members and 873 registered students as of June 2001. It is based upon the guidelines of international accounting bodies such as the Society of Management Accountants of Canada, the Institute of Management Accountants of the United States, IFAC and other regional management accounting bodies. CMASL was established with technical assistance from CMA Canada, funded by the Canadian International Development Agency (CIDA).

The Institute of Internal Auditors

The Association of Internal Auditors was formed in February 1991 and changed its name to the Institute of Internal Auditors in July 1994. The Institute had 50 members as of June 2001.

The Institute of Public Finance and Development Accountancy (IPFDA)

IPFDA was established in March 1980 and represents public sector accountants and auditors. It had 1,750 members as of March 2001.

Membership of the Institute is attained by virtue of career experience and position. Membership does not require specified academic qualifications, professional examinations, practical experience or CPE. The Institute has recently prepared a Bill to create the Chartered Institute of Public Finance and Accountancy of Sri Lanka (CIPFASL).

6. Foreign Accountancy Bodies

Foreign professional accountancy bodies have a strong and growing presence in Sri Lanka. Their success in establishing operations reflects strong historical connections with Britain and a desire by many Sri Lankans to have exportable qualifications. However, many members of these foreign bodies hold concurrent membership with ICASL. An outpost of ACCA (UK) is being established in Sri Lanka.

The largest and most active of the foreign accountancy bodies is CIMASL. The parent body, the Chartered Institute of Management Accountants (CIMA), was founded in the United Kingdom by Royal Charter in 1919. There are two membership levels: Fellow (FCMA) and

Associate (ACMA). In 2001, CIMA Worldwide had around 50,000 members in over 100 countries. CIMASL was originally formed in 1965 under the name “Ceylon Association of Cost and Works Accountants UK”. In 1973 it was made a branch of the UK body and in 1988 was elevated to the status of a Division. The Division had 1,434 resident members as of May 2001—many of whom are also ICASL members.

7. Quality Control and Assurance

In comparison to international guidelines and norms (see Appendix II), the Sri Lankan accountancy profession does not currently emphasize quality control assurance over professional practices. However, ICASL has recently initiated moves to investigate and implement quality control arrangements.

8. Issue Synopsis: Professional Infrastructure

Chapter VIII – *Issues and Recommendations* – identifies and describes constraints and proposes corrective actions. These include the following issues regarding Sri Lanka’ professional accountancy infrastructure:

- ICASL membership is a requirement in order to conduct audits and discharge other statutory duties in Sri Lanka. However, in contrast to international guidelines, CPE is not a mandatory requirement for continued membership. This is consistent with the current UK practice (ICAEW).
- Public sector accountants and auditors lack adequate professional representation and qualifications.