

## V. Accounting and Auditing Training

**T**his chapter describes accounting and auditing education and training. It is structured as follows:

- 1 – Introduction – describes the development of accountancy education in Sri Lanka and introduces some of the key issues.
- 2 – Educational Coordination – discusses the coordination of accountancy education within Sri Lanka.
- 3 – International Standards and Guidance on Accountancy Education – describes international standards and guidance in relation to accountancy education and training.
- 4 – Higher Education Institutions – describes the providers of tertiary accountancy education.
- 5 – Sri Lanka Institute of Development Studies (SLIDA) – describes the activities of SLIDA.
- 6 – The Institute of Government Accounts and Finance (InGAF) – describes the activities of InGAF.
- 7 – Training by Professional Bodies – briefly describes the training activities of professional accountancy bodies.
- 8 – Issue Synopsis: Accounting and Auditing Education and Training – summarizes the issues identified in this chapter.

### 1. Introduction

The origins of Sri Lankan technical education go back to 1883 when the Government Technical School (Ceylon Technical College) was established with 25 students. This institution offered the country's first commerce course in 1908.

Following independence, the Government recognized that technicians and professionals were necessary for economic development—to this end it established the *Commission of Inquiry on Technical Education* in 1963.<sup>93</sup> The *Commission* found that there were only 271 financial accountants and 15 cost accountants employed in Sri Lanka in 1961. Most of these had obtained their professional accounting qualifications from the UK. The *Commission* estimated that a further 120 qualified accountants would be required by 1970.<sup>94</sup>

---

<sup>93</sup> 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.

<sup>94</sup> Commission of Inquiry on Technical Education. 1963. Sessional Paper X-1963: Government Press Ceylon.

The *Commission's* findings put pressure on ICASL to increase the numbers of qualified accountants—the Institute responded by changing its training and qualification methods in the mid-1970s (see pages 43-44)—ICASL's membership subsequently increased to about 500 by 1980. However, these numbers were apparently still inadequate to meet Sri Lanka's social and economic needs. Although it has been contended that a major reason for the chartered accountant shortage is the excessively high failure rates in ICASL examinations, this reflects the Institute's efforts to (at least) match international best practices.

“Mainly due to high examination failure rates of ICASL, many prospective accountants have continued to depend on British professional bodies (such as CIMA, ACCA) for becoming professionally qualified accountants. Even today, students enroll in large numbers for locally conducted professional examinations of these British professional bodies. For example, the student enrolments for CIMA examinations have been about 5,110 in the year 1999. It is evident that these foreign professional examinations are based on the subject matter applicable to British economy. They are apparently not suitable to Sri Lanka. Some subjects covered in these exams such as British taxation, and British company law, are almost totally irrelevant to Sri Lankan environment. Moreover, a sizeable amount of foreign exchange has been flowing out of the country annually as subscriptions and examinations fees for these British professional bodies and associated correspondence colleges.”

– P.W. Senarath Yapa (p. 6)<sup>95</sup>

Sri Lanka has primarily relied on professional bodies, rather than universities, for accountancy training—it was not until 1992 that the Sri Jayewardenepura University (USJ) established a comprehensive bachelor degree program in accountancy. This situation reflects an historical reluctance on the part of the universities to provide accountancy courses, which is mirrored by the profession's reluctance to recognize university qualifications.<sup>96</sup>

In 1993, ADB concluded that certain key reform programs were being impeded by the severe shortage of financial management personnel. It

---

<sup>95</sup> 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.

<sup>96</sup> ADB. 1993 November 8. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Financial Management Training Project*. p. 5.

estimated that there was a shortfall of 500-1,000 professional accountants and 1,000-3,000 accounting technicians. Furthermore, ADB identified fundamental flaws in degree, diploma and certificate course structures—specifically mismatches between curricula and job slots (course content was not relevant to the needs of employers).<sup>97</sup> In response, the ADB-supported *Financial Management Training Project*<sup>98</sup> (1994-1999) supported improvements to accountancy education and training in: (i) universities; (ii) technical institutions; (iii) professional bodies; and (iv) specialist institutions (particularly InGAF).

The *Financial Management Training Project* addressed some of the supply-side issues in accountancy education and training. Meanwhile, demand for accountancy education remains high—only the very best students are able to meet the requisite entrance grades.

This diagnostic study did not involve a quantitative analysis of accountancy skill shortages. However, there was no evidence that skills shortages have abated—particularly in the public sector. If anything, emigration and attempts to improve public sector accountability and transparency have exacerbated these shortages.

## **2. International Standards and Guidance on Accountancy Education**

The international community has issued a variety of guidance on accountancy education. This guidance is relevant to Sri Lanka and includes:

- *Quality Issues For Internet and Distributed Learning in Accounting Education*. This IFAC Education Committee discussion paper discusses the environment that encourages the design, development and delivery of high-quality Internet and distributed learning in global accounting education. It offers recommendations for assessing the quality of Internet education and distributed learning.<sup>99</sup>
- *Discussion Paper on Assistance Projects in Accountancy Education and Development*. This IFAC Education Committee discussion paper, which is based on the experiences of 15 IFAC member organizations, looks at some of the common aspects of successful aid and assistance projects and the impediments that can derail the process. It is meant to be of

---

<sup>97</sup> *Ibid.* p. 5.

<sup>98</sup> ADB Loan No. 1275-SRI: *Financial Management Training Project*, for \$13 million, approved on 29 November 1993.

<sup>99</sup> IFAC. 2000. *Quality Issues For Internet and Distributed Learning in Accounting Education*. New York: IFAC Education Committee. [www.ifac.org](http://www.ifac.org)

assistance to accountancy organizations and consultants involved in aid projects for the development of accountancy education, as well as potential donors.<sup>100</sup>

- *International Education Guideline 9: Accounting Education and Experience*. This IFAC guideline sets out high-level curriculum expectations.<sup>101</sup>
- *Guideline for a Global Accounting Curriculum and Other Qualification Requirements*. This UNCTAD report sets out (i) requirements for the qualifications of professional accountants; and (ii) a guideline for national systems for the qualifications of professional qualifications.<sup>102</sup>
- *Global Curriculum for the Professional Education of Professional Accountants*. This UNCTAD report sets out curriculum requirements including: (i) organizational and business knowledge; (ii) information technology; and (iii) accounting and accounting-related knowledge.<sup>103</sup>

### 3. Educational Coordination

The *University Act (No. 3) 1989* and the *Sri Lanka Institute of Advanced Technical Education (SIATE) Act (No. 29) 1995* govern Sri Lankan higher education arrangements.

The University Grants Commission, a separate legal body operating under the Ministry of Education and Higher Education, administers overall policy making, resource allocation, university admission and other common functions.

### 4. Higher Education Institutions

Some of the issues regarding higher education were described in the chapter introduction. As of 31 December 2000, Sri Lanka had 13 universities (69,007 enrolled students), five postgraduate institutes (2,553 enrolled students), and six 'other' institutes (2,695 enrolled students).<sup>104</sup> Ten universities offer accountancy courses (see Table 14) and 14 technical colleges offer vocational accountancy training.

---

<sup>100</sup> IFAC. 2000. *Discussion Paper on Assistance Projects in Accountancy Education and Development*. New York: IFAC Education Committee. [www.ifac.org](http://www.ifac.org)

<sup>101</sup> IFAC. 1996. *Guideline 9: Accounting Education and Experience*. New York: IFAC.

<sup>102</sup> UNCTAD. 1999. *International Accounting and Reporting Issues: 1999 Review*. New York: UN.

<sup>103</sup> *Ibid.*

<sup>104</sup> Sri Lanka University Grants Commission (UGC). 2000 December. *University Statistics 2000*. Colombo: UGC.

Table 14. Students Enrolled in University Programs involving Accountancy (31 December 2000)<sup>105</sup>

University	Bachelor of Commerce	Bachelor of Management	Total
Colombo	860	534	1,394
Peradeniya	2,356	...	2,356
Sri Jayewardenepura (USJ)	1,034	3,796	4,830
Kelaniya	799	1,080	1,879
Jaffna	327	399	726
Ruhuna	705	78	783
Babaragamuwa	...	387	387
Rajarata	...	326	326
Eastern	403	195	598
South-Eastern	138	148	286
Open	...	214	214
Total	6,622	7,157	13,779

Enrolments of females and males in accountancy programs are evenly balanced—the language of instruction varies by university and includes Sinhala, English and Tamil. There is high demand for entry to accountancy and related courses—only the very best students are able to meet the requisite entrance grades.

USJ offered the first Sri Lankan specialist undergraduate accountancy program in the early 1990s—the program was designed in collaboration with the ICASL and the medium of instruction is English. As part of the four-year program of accountancy studies, undergraduates are required to complete a 60-week program of practical training in a selected organization during the third and fourth years of the degree program. However, this accounting degree is yet to be recognized by ICASL as a sufficient qualification for meeting the examination requirement for membership.<sup>106</sup>

The quality of facilities and academic staff varies significantly across institutions. However, despite staff retention issues and resource constraints, the best of these institutions are broadly comparable to academic institutions in developed countries.

<sup>105</sup> *Ibid.*

<sup>106</sup> 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.

## 5. Sri Lanka Institute of Development Studies (SLIDA)

SLIDA is a government training institution that provides courses for middle and senior levels of management. It is situated in Colombo and has substantial teaching facilities and residential accommodation. SLIDA offers a one-year Diploma in Public Finance Management (DPFM), which is open to all public sector employees.

## 6. The Institute of Government Accounts and Finance (InGAF)

InGAF offers a range of training programs for government accounting and auditing personnel. These training programs, and supporting materials, were developed through the ADB-supported *Financial Management Training Project*.<sup>107</sup> The project also supported InGAF equipment purchases and facilities upgrading.

InGAF training programs are conducted by academics and personnel from government organizations and cover: (i) computer systems; (ii) tender and procurement procedures; (iii) project administration and accounting; (iv) government accounting practices; (v) communication; (vi) modern management practices; and (vii) accounting theory and practice.

Around 500 public sector employees per month attend InGAF training courses. In July 2001, InGAF was offering courses on:

- How to Compare a Corporate Plan (two days)
- Presentation Skills (three days)
- Introduction to Computers (two days)
- Public Corporation Audits (two days)
- Training Program for Accounts Clerks in Public Enterprises (four days)
- Public Officers: Advance Account Activities (two days)
- Situational Leadership and Conflict Management (three days)
- Training Program for Accounts Clerks in Government Departments and Ministries (four days)
- Microsoft Excel (two days)
- Training of Accounts Assistants (two days)
- Tender Procedures (two days)
- Microsoft Word (two days)
- Accounting Fundamentals (three days)
- Foreign Aid Accounting (two days)

---

<sup>107</sup> ADB Loan No. 1275-SRI: *Financial Management Training Project*, for \$13 million, approved on 29 November 1993.

## 7. Training by Professional Bodies

The professional accountancy bodies (see Chapter III) conduct extensive training for prospective members, members and external parties. This training covers technical subjects such as auditing, taxation, management services, accountancy education, accounting principles, and information technology.

In the case of ICASL, over 14,000 Registered Students are studying for the Institute's examinations. The Institute provides 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.

Furthermore, the Institute administers the practical training programs for its Registered Students. These programs are of at least three years duration, must be supervised by an Institute Member and must be with an approved practical training organization.

## 8. Issue Synopsis: Accounting and Auditing Education and Training

Chapter VIII – *Issues and Recommendations* – identifies and describes constraints and proposes corrective actions. These include the following issues regarding Sri Lankan accounting and auditing education and training:

- Sri Lanka has an historical shortage of qualified accountants. There have been initiatives to address this shortage—notably in the past decade through the ADB-supported *Financial Management Training Project*.
- These initiatives have had a significant impact, but there was no evidence that skills shortages have abated—particularly in the public sector. If anything, emigration and attempts to improve public sector accountability and transparency have exacerbated these shortages.
- Universities have only recently introduced accountancy programs. However—with a few exceptions—the content of these programs does not appear to meet employers' needs.
- The accountancy profession—particularly ICASL—could play a more positive role in encouraging improvements in the country's general educational standards.