

X. Regional Issues and Country Action Plans

1. Introduction

The study identified a range of gaps and weaknesses. Section two examines issues that are common across the Asia Pacific region. Sections three to seven present the individual country action plans. Each action plan was agreed-in-principle with the country representatives during the Manila workshop in March 2002. The action plans classify issues into those deficiencies that are: (i) better able to be resolved with external assistance; and (ii) able to be resolved without the need for external assistance.

2. Regional Issues

Several issues identified in the individual studies were common across countries. Chapter IV examines certain regional issues including: (i) the benefits and challenges of IAS adoption; (ii) problems with IAS copyright and pricing; (iii) SME financial reporting; (iv) mechanisms to strengthen auditing standards and practices; (v) the importance of strong country accountancy professions; and (vi) public sector reporting challenges.

Four additional regional issues are described below. The first three remain valid from the 2000 DSAA Summary Report and have been repeated.⁷⁵ In some cases, for instance the training of lecturers and professors, ADB is implementing regional responses.⁷⁶

Public–Private Pay Disparities

There is a general lack of skilled accounting and auditing personnel in the public sectors of DMCs. The private sector—because it pays better—is able to attract the qualified personnel that are available in the market. There is no simple answer for this very serious constraint.

⁷⁵ Narayan, Francis B., Ted Godden, Barry Reid, and Ma. Rosa P. Ortega. 2000. *Financial Management and Governance Issues in Selected Developing Member Countries: A Study of Cambodia, People's Republic of China, Mongolia, Pakistan, Papua New Guinea, Uzbekistan, and Viet Nam*. Manila: ADB.

⁷⁶ ADB TA No. 6028-REG: Small-scale Technical Assistance for Upgrading Accounting Education (Training the Trainers), for \$100,000, approved on 11 April 2002.

Two recommendations made for individual countries offer a partial response. First, recommendations have been made to support training for public sector accountants. Second, recommendations have been made to create professional membership categories for public sector accountants. The intent of these recommendations is to raise the competence and status of public sector accountants, thereby making this a more attractive career choice for potential employees.

Training of Accountancy Lecturers and Professors

The training of accountancy lecturers and professors needs urgent attention. It was revealed that accountancy trainers at universities and colleges are not up to date in the latest international best practices. If the quality of accounting and auditing support is to be improved in countries, then investments must be made to train trainers on the implementation and use of international accounting and auditing standards.

Availability of Training Materials

The availability of textbooks in local languages is another major constraint that has been brought to light. Urgent attention is needed to provide assistance to prepare textbooks in local languages.

Legislative Impediments

In many DMCs, country laws and regulations impede sound accounting and auditing practices. First, few countries have legislation that clearly stipulates accounting and auditing requirements, and plainly sets out processes for developing and promulgating standards. Second, laws and regulations often override accounting standards and conflict with sound financial disclosure practices.

3. Action Plan: Azerbaijan

Azerbaijan's financial management reforms lag behind those of most other Former Soviet Union countries. However, it is now positioned to closely examine other countries' efforts and, by doing so, to develop a comprehensive strategy for effective reform.

REGIONAL ISSUES AND COUNTRY ACTION PLAN

Action	Priority	Donor Assistance?	Country Support?	2002 - 2006
Establish Coordination Group, Develop Strategic Plan and Review Framework	High	✓	... ⁷⁷	■
Amend Laws and Regulations	High	✓	✓	■■■■
Clarify Accounting Standard Setting Arrangements	High	✓	✓	■■■■
Clarify Legal Status of Auditing Standards	High	✓	✓	■■■■
Clarify Auditing Standard-Setting Arrangements	High	✓	✓	■■■■
Broaden and Strengthen Accounting Qualifications	High	✓	✓	■■■■■
Develop Training Materials	High	✓	✓	■■■■■
Develop Accounting Curriculum and Materials	High	✓	✓	■■■■■
Provide Continuing Training to Professors and Lecturers	High	✓	✓	■■■■■
Establish Government Accountant and Auditor Certifications	High	✓	✓	■■■■■

4. Action Plan: Fiji Islands

Despite its small numbers and limited resources, the Fiji Islands accountancy profession compares favorably with those of most other countries. This is attributable to the efforts of a hardcore of dedicated professionals supported by the larger accountancy firms.

Action	Priority	Donor Assistance?	Country Support?	2002 - 2006
Strengthen Accounting Standards and Financial Disclosure Requirements	High	✓	✓	■■■■
Enhance Financial Disclosure Monitoring	High	✓	✓	■■■■■

⁷⁷ This recommendation was strongly supported by all Baku workshop participants (5-6 December 2001), but there was mixed support at the Manila workshop (5-6 March 2002).

Action	Priority	Donor Assistance?	Country Support?	2002 - 2006
Develop Appropriate Bookkeeping and Accountancy Certifications	High	✓	✓	■■■■■
Implement a Training Program for Government Accountants	High	✓	✓	■■■■
Extend the Reserve Bank of Fiji Supervision Regime to All Financial Institutions	High	✗	✓	■■■
Review and (if necessary) Strengthen Auditing Practices	Medium	✓	✓	■■■■
Introduce Quality Assurance Mechanisms	Medium	✓	✓	■■■■
Retain Focus of the Office of Auditor General (OAG) Activities	Medium	✗	... ⁷⁸	...
Educate IASB on the Fiji Islands' Differential Reporting Approach	Low	✗	✓	■

5. Action Plan: Marshall Islands

While RMI has made some progress in improving financial management arrangements over the past decade, basic record keeping systems and internal control systems remain inadequate. Moreover, future improvements are unlikely given the critical shortage of suitably qualified bookkeepers and accountants.

Action	Priority	Donor Assistance?	Country Support?	2002 - 2006
Recruit Qualified Accountants to Support Financial Management Improvements	High	✓	✓	■
Establish Bookkeeping and Accountancy Certifications	High	✓	✓	■■■■■

⁷⁸ There was mixed support for this recommendation.

REGIONAL ISSUES AND COUNTRY ACTION PLAN

Action	Priority	Donor Assistance?	Country Support?	2002 - 2006
Prepare and Introduce Bookkeeping and Accounting Manuals	High	✓	✓	■
Defer Implementation of the New Government Financial Reporting Model	High	✗	✓	■
Raise the Priority of Scholarships for Accountancy Students	Medium	✗	✓	■■■
Strengthen the Auditor General's Independence	Medium	✗	✓	■■■
Clarify Laws Regarding Auditor Qualifications	Medium	✗	✓	■■■
Clarify Laws Regarding Accounting Standards	Medium	✗	✓	■■■
Clarify Laws Regarding Auditing Standards	Medium	✗	✓	■■■

6. Action Plan: Philippines

The Philippines was less affected by the Asian financial crisis than some other countries in the region, largely due to better financial management arrangements. Moreover, accountancy is an elite and respected profession. However, the study revealed a range of issues that need attention if accountancy is to maintain its high status and if the Philippines is to attract investment.

In contrast to the other country actions presented in this chapter, explanatory comments are included in the Philippine country action plan for two reasons. First, the study recommendations were initially discussed at the March 2001 Manila workshop. In the intervening period, efforts have already been made to implement the recommendations—the action plan describes these efforts. Second, Philippine study participants were less unified—when compared to other country participants—in agreeing study issues and recommendations. Accordingly, the action plan describes discordant views.

ACCOUNTING AND AUDITING PRACTICES IN SELECTED DMCs

Action	Priority	Donor Assistance?	Country Support	2002 - 2006
Directly adopt IAS in 2004 • <i>The Philippines will complete direct IAS adoption by 2005.</i>	High	✓	✓	██████
Strengthen financial disclosure monitoring and impose strict penalties on erring corporations and auditors • <i>ADB is providing TA to implement this recommendation.</i>	High	✓	✓	██████
Directly adopt IAASB pronouncements (International Standards on Auditing) in 2004 • <i>The Philippines will complete direct adoption of IAASB pronouncements by 2005</i>	High	✓	✓	██████
Strengthen auditing practices and monitor compliance with auditing requirements • <i>Although one auditing firm strongly disagreed with this recommendation, other study participants were supportive. Moreover, Bangko Sentral ng Pilipinas has recently introduced five-yearly mandatory rotation of bank auditors.</i>	High	✓	✓	██████
Amend the Accountancy Law so that licensure standards can be raised • <i>In keeping with the recommendation, the accountancy profession is preparing amendments to the Accountancy Law to support, among other things: (I) mandatory CPE; (ii) quality assurance improvements; and (iii) the introduction of practical experience requirements for auditors.</i>	High	✓	✓	██████
Introduce practical experience prerequisite for the CPA title • <i>The PRC is working to address this important international requirement. In particular, auditors are now required to have three years' practical experience before they may sign audit reports.</i>	High	✓	✓	██████
Introduce mandatory CPE • <i>The Philippines will introduce this international requirement through an amendment to the Accountancy Law.</i>	High	✓	✓	██████

REGIONAL ISSUES AND COUNTRY ACTION PLAN

Action	Priority	Donor Assistance?	Country Support	2002 - 2006
Reassign responsibility for investigating certain ethical matters from BOA and PICPA to the SEC • Although there was general agreement that BOA and PICPA had not effectively discharged their responsibilities in this area, there was no clear support for the recommendation on the basis that the SEC would also be ineffective. ADB is providing TA to SEC to strengthen its capacity in this area.	High	✓	Mixed	■ ■ ■ ■
Design and implement quality control and quality assurance arrangements over the profession • In keeping with the recommendation, amendments are being prepared to the Accountancy Law to strengthen quality assurance arrangements.	High	✓	✓	■ ■ ■ ■ ■ ■
Introduce provisional CPA title • Participants in the March 2001 Manila workshop supported this recommendation, as did all associated written comments. However, PRC subsequently disagreed with the recommendation (March 2002).	High	✓	✓	■ ■ ■ ■
Improve monitoring of accountancy courses • In August 2001, the Commission on Higher Education approved a new accountancy curriculum. BOA would appreciate support to implement the new curriculum and associated monitoring arrangements.	High	✓	✓	■ ■ ■ ■ ■ ■ ■ ■
Provide continuing training to professors and lecturers • ADB is supporting a regional response to this important issue. ⁷⁹	High	✓	✓	■ ■ ■ ■ ■ ■
Define accounting information system requirements • COA has acted to define requirements.	High	✓	✓	■ ■ ■
Directly adopt IFAC pronouncements on professional ethics • BOA has prepared a revised code of ethics that is directly based on the IFAC code of ethics.	High	✗	✓	■

⁷⁹ ADB TA No. 6028-REG: Small-scale Technical Assistance for Upgrading Accounting Education (Training the Trainers), for \$100,000, approved on 11 April 2002.

ACCOUNTING AND AUDITING PRACTICES IN SELECTED DMCs

Action	Priority	Donor Assistance?	Country Support	2002 - 2006
Make PICPA membership compulsory for CPAs <ul style="list-style-type: none"> On the basis that this would probably delay congressional approval of the Accountancy Law amendments, PRC has not included this requirement in proposed Accountancy Law amendments, but intends to pursue this as a longer term objective. 	High	✗	✓	■
Minimize compliance (transaction) and value-for-money (VFM) audits <ul style="list-style-type: none"> With the important exception of COA, all participants agreed with this recommendation. COA intends to maintain its VFM auditing focus. 	High	✗	Mixed	■■■■
Alter accounting standard setting arrangements by giving the ASC legal status, altering ASC representation, and tightly defining the ASC role <ul style="list-style-type: none"> There was mixed support for this recommendation. In particular, the PRC intends to maintain ASC's existing composition. However, this recommendation is now less important, given the decision to directly adopt IAS. 	Medium	✓	Mixed	■■■
Address CPA licensure examination issues <ul style="list-style-type: none"> PRC have already addressed some of these issues, and intend to improve quality reviews of examination question setting. Regarding the introduction of a written examination component (in accordance with international standards), PRC supports the introduction of this requirement before auditors may issue audit opinions. 	Medium	✓	✓	■■■■■
Introduce Accounting Technician membership category to PICPA <ul style="list-style-type: none"> Although all written comments received prior to the March 2001 Manila workshop supported this recommendation, one view was expressed in the workshop that the Accounting Technician designation is a very low level qualification intended for countries with poorly developed accountancy professions. 	Medium	✓	✓	■■■■■
Develop annual financial management scorecard for the private sector <ul style="list-style-type: none"> Although supported by study participants, this recommendation has yet to be implemented. 	Medium	✓	✓	■■■■■

REGIONAL ISSUES AND COUNTRY ACTION PLAN

Action	Priority	Donor Assistance?	Country Support	2002 - 2006
Limit the use of proxy voting in PICPA meetings and elections <ul style="list-style-type: none"> With exception of current and former partners from a particular auditing firm, there was general agreement with this recommendation. However, as a nonstock corporation PICPA is required to allow proxy voting. Furthermore, it was suggested that the potential misuse of proxy votes could be addressed by limiting the number of proxies that can be assigned to an individual. For instance, the California Society of CPAs limits proxy assignments to 10. 	Medium	✗	✓	■ ■
Exempt CPAs from BIR tax agent accreditation requirement <ul style="list-style-type: none"> PRC/BOA subsequently met with the BIR Commissioner and officials to discuss this issue; a memorandum of agreement is being developed to give effect to this recommendation. 	Medium	✗	✓	■
Limit accountancy degree courses to four years <ul style="list-style-type: none"> This issue has since been resolved. In August 2001, the Commission on Higher Education approved a new accountancy curriculum. It requires a minimum of 177 units, which can be completed within four years. 	Medium	✗	✓	■ ■
Carefully separate accounting and auditing responsibilities	Medium	✗	✓	■ ■
Adopt international public sector accounting standards (IPSASs), if accrual accounting is implemented	Medium	✗	✓	■ ■
Advocate changes to IASB copyright and pricing policies	Low	✓	✓	■ ■

7. Action Plan: Sri Lanka

Sri Lanka's financial management arrangements compare very well with those of other countries—both developing and developed—at least for the private sector. In contrast, public corporation financial governance practices are poor, as are other public sector accounting arrangements.

Action	Priority	Donor Assistance?	Country Support?	2002 - 2006
Strengthen Government Accounting and Auditing	High	✓	✓	██████
Strengthen Public Corporation Accountability through Legislative Amendments	High	✓	✓	██████████
Appoint Financial Specialists to Public Corporation Boards	High	✓	✓	██████
Strengthen Public Corporation Internal Auditing and Controls	High	✓	✓	██████
Publish a Scorecard of Public Corporation Reporting	High	✓	✓	██████
Create Chief Financial Officer Positions in Public Corporations	High	✗	✓	██████
Require SLAASMB Review of all Public Corporation Annual Reports	High	✗	✓	██████
Enhance Director Accountability	Medium	✗	✓	██████
Close the Emerging Gaps Between SLASs and IAS	Medium	✗	✓	██████████
Enhance Auditor Independence and Objectivity	Medium	✗	✓	██████
Make CPE Mandatory for Continuing ICASL Membership	Low	✗	... ⁸⁰	██████

⁸⁰ Although an IFAC requirement, there was mixed support for this recommendation.

REGIONAL ISSUES AND COUNTRY ACTION PLAN

Action	Priority	Donor Assistance?	Country Support?	2002 - 2006
Enhance Institutional Support for Good Financial Governance	Low	✘	✔	■■■■
Provide Resources to the ICASL for Standards-Setting Activities	Low	✘	✔	■■■
Advocate Changes to IASB Copyright and Pricing Policies	Low	✘	✔	■■■■■
Encourage the Development of Financial Reporting Standards for SMEs	Low	✘	✔	■■■■■