



Technical Assistance Consultant's Report

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Support for the Leading Accounting Talent Project in
the People's Republic of China

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Asian Development Bank

Support for the Leading Accounting Talent Project in the People's Republic of China

BACKGROUND

Prior to 2010 the People's Republic of China (PRC) had made impressive progress in putting in place the institutional framework for accounting, auditing, and corporate financial reporting. But the financial management profession needed further strengthening. New accounting professionals lacked practical exposure to applying latest accounting standards. In particular, few leading accountants had the high-quality international qualifications and experience and the senior management skills needed to cope with the demands of an increasingly open and advanced economy. At the start of 2010 the PRC had about 10 million accountants but only 2% of these were senior accountants.

In 2010, the Ministry of Finance developed a talent development plan for the accounting industry to cover the period 2010–2020. It was the first long-term national development plan for accounting professionals. In order to develop qualified accountants capable of meeting the challenges of internationalization in accounting and reporting practices the government agreed to sponsor the Leading Accounting Talent Project (LATP), which had initially been launched in 2005 to bring the total number of leading accountants in the PRC to 2,000 by 2020. The training provided under the project was centred around applicable accounting and auditing standards, professional challenges and values, and international dimensions of accounting and auditing in the corporate setting, in the public sector, and in academe. Between 2005 and 2010 the LATP trained 700 candidates but at the same time the demand for leading accountants had grown rapidly as the PRC economy internationalized.

OBJECTIVES

In view of the perceived need for qualified accounting professionals in the PRC, the central government asked the Asian Development Bank (ADB) for technical assistance (TA) to support the LATP. The TA, which was approved in October 2011, provided for: (i) a review of the progress of the LATP and in the light of the review a revision to the overall framework for capacity building; (ii) research on two selected accounting management areas, namely internal control systems and financial and accounting methods for international acquisitions, based on case studies on selected companies; and (iii) development of a model for adoption of the internal control regulations and implementing guidelines that were issued in 2008 and 2010. The case studies were to provide benchmarks for the proper use of accounting standards for international acquisitions, which were posing a major challenge to state-owned and private enterprises in the PRC.

FINDINGS

The LATP approach to senior level accounting has not been attempted in other countries. Elsewhere, professional education programs have been less structured and financial education is offered by a loose combination of post-graduate, post-experience and professional training

programs. The LATP approach is based on a recognition that on the one hand there is an increasing demand for accounting and accounting skills because of: globalization; cross border acquisitions; increasing regulation and tax reforms; technology changes; and changes in accounting and auditing while on the other hand the PRC has few senior accountants.

The review of the LATP found that the program had been giving an appropriate emphasis to finance courses, which it was considered were by far the most valuable component of the program and which offered the greatest benefit to organizations in the PRC because financial techniques are changing all the time and it is important to have a financial executive at the forefront. It was therefore agreed that weightings in the course program should be maintained at the current levels. However, the research found that chief finance officers (CFOs) in the PRC generally had two main weaknesses compared with those in developed countries: first, they were not goal oriented and consequently focused primarily on finance tasks and did not cooperate well with other departments to achieve corporate goals; and secondly, they were had limited involvement in overall business strategy making.

The review also suggested that the target of the LATP—2,000 graduates by 2020—was too low for the PRCs requirements. In addition, recruitment for the program had been primarily of accountants from state owned enterprises with a relatively high average age.

RECOMMENDATIONS

In the light of these findings the review made a number of recommendation:

- It was considered that although the LATP gives appropriate emphasis to finance courses there was a need to encourage CFOs in the PRC to develop a broader understanding of the overall operations of businesses. This would enable them to play a greater role in the development of business strategy rather than having to confine their role to financial strategy. It was therefore suggested that there should be an ongoing series of training programs that was widely available to encourage CFOs to take on this broader role that is common practice in most developed, market economies.
- Similarly, it was felt that the LATP training programs should encourage participants to develop a goal oriented view of their businesses and to become more concerned about a corporation's overall strategies. It was suggested that field visits and case studies were the most effective tools for achieving this.
- Recruitment for the training programs was considered to be too limited and it was therefore recommended that entry requirements should be modified. In particular, it was considered that there should be more private sector participants and that there should be more emphasis on training for people in the 25-35 age group. It was also considered that the program should be made more widely available through the use of part time training programs and increasing the internet content. The current target of 2,000 graduates by 2020 would easily be met and it was therefore recommended that additional targets should be established of a further 3,000 graduates by 2025 and 5,000 by 2030 (i.e. a total of 10,000 LATP graduates by 2030).
- Finally, it was suggested that there should be additional topics included in the curriculum—a seminar on *Current Developments in International Finance and*

Accounting and a discussion session on *Current Case Studies in International Finance and Accounting*.