

Obligations of accounting professionals

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The new ethical standard for auditors and other professional accountants i.e. NOCLAR is going to transform the thinking and practice of accounting professionals globally and enable accountants to play a greater role in the fight against significant non-compliance with laws and regulations.

Accountants have a vital role and obligation to society and public in addition to their fiduciary duty to employers and clients. In recent days, however, we see the accounting profession compromising on basic principles of ethics ingrained in ethical codes applicable on professionals.

The recent massive leaks of financial documents under Panama and Paradise papers have exposed the vulnerability of accountants and auditors in acting as facilitators of tax evasion practices. This has perturbed the global accounting profession about the need for a more stringent mechanism for ethical compliance.

The integrity of accountants and auditors, in addition to lawyers, are now being questioned globally which points towards the failure of the self-regulation model of professional accounting bodies in raising the ethical standards of members.

The recent release of a new global standard would make the accountants and auditors act in the larger interests of society and public

In this perspective, the role of financial reporting councils is assuming more significance. These independent regulatory bodies, acting as 'watchdogs'.

It is the duty of Professional Accountancy Organisations (PAO) to promote and monitor adherence of their members to professional and ethical standards.

This would not only enhance transparency and accountability in the use of public resources but also improve its delivery to the common man.

The recent release of a new global standard on 'Non-Compliance with Laws and Regulations' (NOCLAR) by International Ethics Standards Board for Accountants (IESBA); is a welcome and timely initiative.

This standard would make the accountants and auditors act in the larger interests of the society and not give any leeway to facilitate clients in availing tax avoidance sanctuaries as we have recently seen globally in case of Panama and Paradise paper leaks.

NOCLAR would in fact, compel them to disclose suspected illegal acts of their clients.

The new standard expects accountants not to maintain silence regarding their client's wrongdoings; rather they must be reporting non-compliance situations to appropriate public authorities without any fear or favour.

However, the situation on the ground is that accountants in every jurisdiction are hesitant in taking responsibility in this regard.

For instance in UK, the National Crime Agency (NCA) which is responsible for tackling many sorts of criminality such as tax offences, corruption, money laundering and terrorist financing, mentions in its 'Suspicious Activity Reports (SARs) Annual Report 2017' that the 'accountants and tax advisors' submitted just 6693 SARs during the period from October 2015 to March 2017 which is barely 1.06 per cent of the total 634,113 SARs received by NCA.

In Pakistan, the corporate sector also needs to be acquainted with the changing dynamics of global financial reporting and the applicability of NOCLAR. Organisations, as part of their HR policy, must ensure to engage members of only recognised professional accounting bodies as employees, consultants and advisors in order to prevent and correct any non-compliance within the organisations, especially to prevent fraud.

Though fraud prevention is generally considered the responsibility of financial accountants, management accountants can also play a pivotal role in enhancing the organisations' capacity to fight fraud.

They can help develop and implement robust fraud prevention and internal control systems within the organisations that could minimise the possibility of fraud incidents and maximise the probability of early detection of such incidents.

To conclude, the accountants and auditors must adopt NOCLAR and begin a new era of their professional career that would make them recognise in the world as a 'gatekeeper' of public interests.

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