



Session 6:

Enhancing Values of Professional Services: *Challenges & Way Forward*

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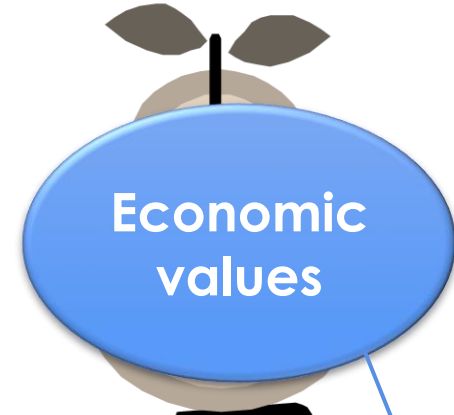
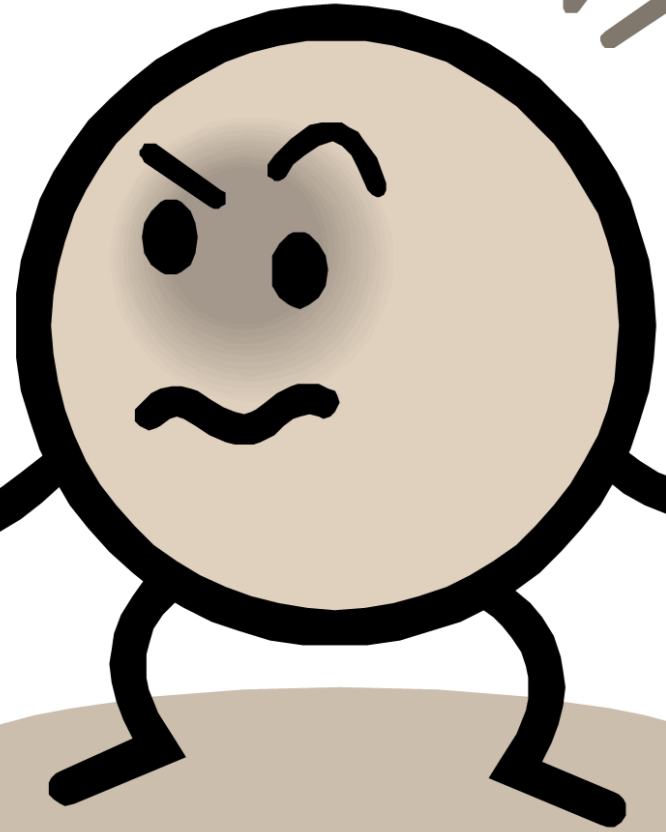
7 Baisakh 2081 (19 April 2024)





Ethical values

Ethically acting in the public interest



Economic values

Fulfilling legal & business needs of clients

DUAL RESPONSIBILITY



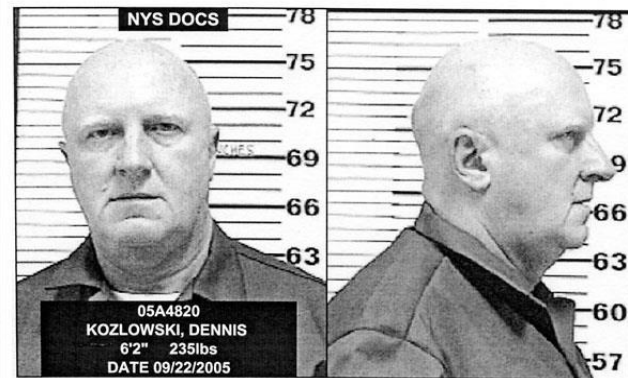
Today's Challenges, Tomorrow's Opportunities

The global financial crisis, Nepal's financial frauds

- Unparalleled stress on global economy and markets,*
- Institutions and processes that contribute to financial stability re-examined,*
- Amplified financial reporting and auditing challenges, &*
- Role of auditing reconsidered.*

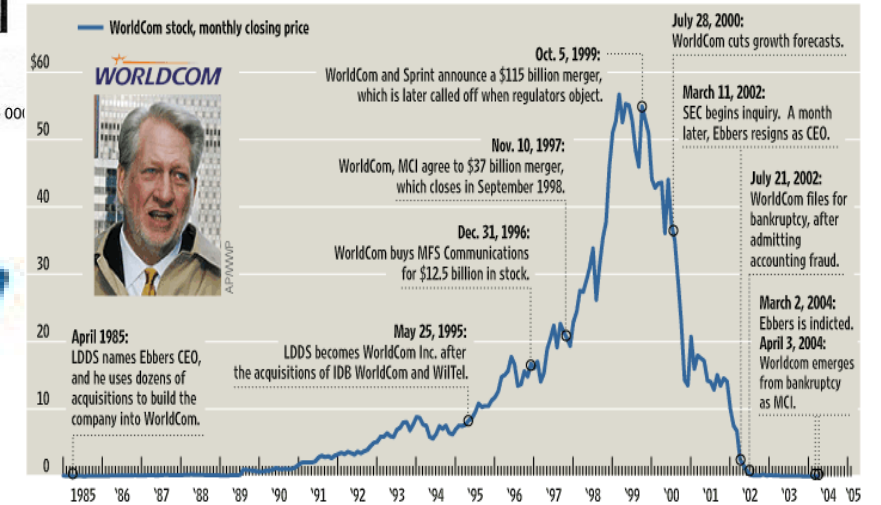


Happening Around



Sex - MALE Race - WHITE Hair - BLD/GY Eyes - BLUE DOB - 11/26/1946
SCAR RS FACE, LT. WRIST

NYSID # - 1959351J ID CARD # - 00



Source: FactSet Research Systems Inc.



Happening Around



Bribery and corruption

Fraud



Money laundering

Terrorist financing





Happening Around

Financial products and services

23 MILLION POLICIES WERE MIS-SOLD TO AROUND 7 MILLION CUSTOMERS
WERE YOU ONE OF THEM?

Tax laws

Tax Evasion Program



NATIONAL

In latest fake VAT bill scandal, revenue department charges 15 individuals

Suspects are accused of evading Rs 2.9b in taxes



NEED

- **Economies and societies require the free flow of accurate information to function efficiently.**
- **Efficiency of market economies is dependent upon disclosure of accurate financial information, clearly distinguishing between what information is:**
 - *in the public interest to be disclosed, &*
 - *any sense of self-interest.*
- **An understanding of ethics and governance is essential:**
 - *to those in leadership roles, &*
 - *to those who support their leaders.*



EXPECTATIONS

- **Society trusts the profession to act in its best interest and values the service provided.**
- **Perceived as key business decision-makers:**
 - *proficient in regulatory regimes, compliance requirements, and governance mechanisms,*
 - *ensure lawful and effective corporate behaviour and operations.*
- **The accounting profession is integral to the process of ensuring people have access to **accurate** information.**



Relevance of Accounting Profession

Values in the form of trust and confidence:

- *Business acumen, technical competency,*
- *Professional judgment and skepticism, and*
- *Vast knowledge of regulations.*

Self Regulation:

- *Code of ethics, and*
- *Continuing Professional Education*



Adding Values

- 1. Financial Management:** Help by analyzing and optimizing financial processes, ensuring compliance with accounting standards, and implementing cost-saving measures.
- 2. Financial Reporting:** Ensure accurate and timely financial reporting, complying with regulatory requirements, and maintaining transparency with stakeholders.
- 3. Sustainability Reporting:** With the growing emphasis on sustainability, can help the company report on environmental, social, and governance (ESG) factors, important to investors and stakeholders.
- 4. Financial Planning and Analysis:** Create financial models and forecasts that help the company make informed decisions about budgeting, resource allocation, and growth strategies.



...Values (Contd.)

5. **Performance Evaluation:** Assess the overall financial health of the company in the context of the budget; provide insights into whether the company is meeting its financial goals and recommend adjustments, if necessary.
6. **Investor Relations:** Communicate the company's financial performance and strategy to investors, fostering trust and potentially attracting new investors.
7. **Treasury Management:** Managing cash flows, liquidity, and working capital efficiently.
8. **Risk Management:** Identify and assess financial risks, develop risk mitigation strategies, and ensure the company's financial stability.



...Values (Contd.)

9. **Budget Management:** Preparation of budgets, continuous monitoring, analysis, and adaptation to ensure that the company's financial resources are used efficiently and effectively in pursuit of its strategic objectives.
10. **Forecasting:** Prepare periodic forecasts to provide insights into expected financial performance, allowing the company to make timely adjustments, as needed.
11. **Cost Control:** Analyze cost structures, identify inefficiencies, and implement cost control measures to improve profitability.
12. **Internal Controls:** Establish and maintain robust internal control systems to prevent fraud and ensure the integrity of financial data.



...Values (Contd.)

13. Strategic Planning: Provide valuable insights for strategic decision-making by offering financial forecasts, risk assessments, and investment analysis to guide the company's growth and expansion plans.

14. Taxation Expertise: Minimize tax liabilities through legal tax planning, helping the company save money vis-à-vis remain compliant with tax laws.

15. Audit and Risks: Ensure that the company adheres to accounting standards, regulations, and internal controls, reducing legal and financial risks.

16. Regulatory Compliance: Keep compliant with various regulatory bodies, OCR, SEBON, NIA, Inland Revenue Department, Nepal Rastra Bank, or ICAN, reducing legal risks.



...Values (Contd.)

17. **Capital Structure Optimization:** Structure the company's capital to strike a balance between equity and debt, optimizing the cost of capital.
18. **Business Valuation:** Perform business valuations, essential for mergers, acquisitions, and assessing the company's worth.
19. **Forensic Accounting:** Conduct forensic investigations to uncover wrongdoing and support legal proceedings.
20. **Financial Technology:** Staying updated with financial technology such ERP, AI, etc. and leverage digital tools and data analytics to streamline processes and enhance financial decision-making.
21. **Liquidation, Due Diligence, Financial and Operational Management, Fund Manager, etc ...**



Roles in PFM

A nation will grow only after the end of corruption and minimal fiduciary risks.

- *Help in financial, fiduciary and performance reviews, due diligence, thereby preventing corruption, mis-use of resources, protection of assets, detecting frauds, etc.*
- *Designing and implementing internal controls and strengthening the mechanism*
- *Capacity enhancement (Standards and Training)*
- *Conduct Social, GESI, Climate and CSR Audits.*

Important pillar in economic growth of nation.

- *Solve the financial problem applying their knowledge and expertise in field of finance, taxation, stock market, fiscal risks, assets and liability management, debt management, company law matters, FOREX, etc.*
- *Helps even common man or residents of country in understanding the rules and regulations.*

Real partners in Nation Building.

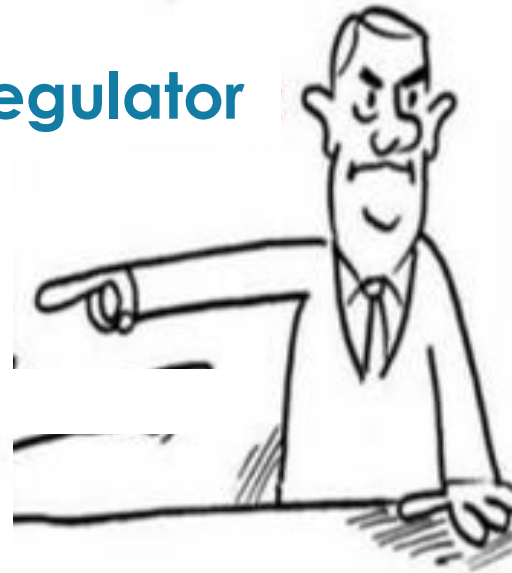


Statutory Expectation vs Shifting Responsibilities

Auditor



Regulator



Management



“Audit may end up making no one happy”



Challenges for the profession

- Expectations gaps: **Delivered v/s Perceptions**, **Legal v/s Value**
- How can audit quality be further enhanced?
- How can the profession stay relevant from user perspectives?
- How to ensure profession's long-term sustainability?
Quality v/s Fees
- Significant increase in complexity of financial reporting and financial information disclosures? **Risks v/s Roles**
- Auditors' reporting and communications – perceptions of the need to be more responsive and informative.



Challenges...

- **Compliances:**

- *Company Act – 2063*
- *Tax Laws*
- *Regulatory Frameworks (BAFIA, NIA, NRB, AML, Cooperative, OAG/N, SEBON, ICAN, etc.): AML/LFARs contain numerous affirmations expected of the auditors, **which are judgmental and beyond their scope.***
- *NoCLAR Standards*



Challenges...

- **Level of fees and expectation gaps**

- *Minimum Fees & Quality Guidelines – 2078*
- *Mismatch between the professional standards and the professional services being provided, applicability of standards.*
- *Fees level: Service diversification, fees cutting and convincing the clients.*
- *Risk and Change Management*



Company Act – 2063

दफा १०९ (९): भ्रष्टा व्यहोराको वार्षिक आर्थिक विवरण, सञ्चालक समितिको प्रतिवेदन तथा यस ऐन अनुसार तयार गर्नुपर्ने अन्य विवरण तथा प्रतिवेदनहरू तयार पार्ने पदाधिकारी तथा स्वीकृत गर्ने सञ्चालकहरूलाई यो ऐन अनुसार सजाय हुनेछ ।

दफा ११५: लेखापरीक्षकको काम र कर्तव्य: (२) लेखापरीक्षकको प्रतिवेदन प्रचलित कानून अनुसार वा अधिकार प्राप्त निकायले निर्धारण गरेको लेखापरीक्षणमान (अडिट स्ट्याण्डर्ड अनुरूप हुनु पर्नेछ र त्यस्तो प्रतिवेदनमा आवश्यकता अनुसार यस ऐन बमोजिम खुलाउनु पर्ने कुराहरू उल्लेख गर्नु पर्नेछ ।

(३) उपदफा (२) बमोजिमको लेखापरीक्षण प्रतिवेदनमा अन्य कुराहरूको अतिरिक्त देहायका कुरापनि खुलाउनु पर्नेछ :-

(ड) सञ्चालक समिति वा प्रतिनिधि वा कुनै कर्मचारीले कानूनविरुद्ध काम काज गरेको वा कम्पनीको सम्पत्ति हिनामिना गरेको वा कम्पनीको हानि नोक्सानी गरे वा गराएको भए सो कुरा,

(च) कम्पनीमा लेखा सम्बन्धी कुनै जालसाजी गरे वा नगरेको ।



Other Provisions

- Sections 160 and 161 of Company Act - 2063 levy penalties to the auditor for **willful negligence** in conducting the audit or **willful reporting** or **not reporting important issues** in the audit report or not reporting as prescribed in the act. **The actions to the auditor are joint and several with the director and other officials or staffs.**
- **आयकर ऐन, दफा १२१ मतियारलाई शुल्क लाग्ने:** यस ऐनमा उल्लेखित कुनै कसुर गर्ने ब्यक्तिलाई जानाजान वा लापरवाहि गरी मददत गर्ने वा सहायता दिने वा दुरुत्साहित गर्ने वा सल्लाहदिने मतियारलाई त्यस्तो गर्ने ब्यक्तिले घटि तिरेको करको शत प्रतिशत रकम शुल्क लाग्नेछ ।
- **मुअक ऐन दफा २९: दण्ड सजाय:** उपदफा(३) यस ऐनमा उल्लेखित कुनै कसुर गर्ने ब्यक्तिलाई जानाजान वा लापरवाहि गरी मददत गर्ने वा सहायता दिने वा दुरुत्साहित गर्ने वा सल्लाहदिने मतियारलाई त्यस्तो गर्ने ब्यक्तिले घटि तिरेको करको पचास प्रतिशत रकम जरिवाना लाग्नेछ ।



Way Forward: Accounting Professionals

- **Comply with fundamental principles of:**
 - *Integrity,*
 - *Professional behavior, and*
 - *Technical competency.*
- **Increase awareness and understanding of legal and regulatory responsibilities, and enhanced reporting:**
 - *serve as an ethical gatekeeper , whistleblower on NoCLAR*
 - *showcase as a champion of integrity, transparency and objectivity, and*
 - *understand key performance drivers, focus on adding values to client (values for money).*



Way Forward: ICAN





CONCLUSION

“The sustainability of the accountancy profession depends upon the quality of the services provided by its members and on the profession’s capacity to respond effectively and efficiently to the demands of the economy and society.”

IFAC Policy Position: Regulation of the Accountancy Profession, Dec 2007

We shall endeavor to carry forward the legacy of Trust, Excellence and Integrity and Meet Stakeholders’ Expectation.



Bhagavad Gita: Chapter 3, Verse 19

तस्मादसक्तः सततं कार्यं कर्म समाचर ।
असक्तो ह्याचरन्कर्म परमाप्नोति पूरुषः ॥ 19॥

*tasmād asaktaḥ satataṁ kāryaṁ karma samāchara
asakto hyāchāran karma param āpnoti pūruṣhaḥ*

“आशक्ति त्यागेर आफनो कर्तव्य समझी कर्म गर्न किनभने फलमा आशक्त नभई कर्म गर्नाले परमात्मा प्राप्त हुन्छ ।”



**Thank you
for your Attention**

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PANEL DISCUSSION

