WORLD BANK GROUP

CURRENT STATUS OF THE ACCOUNTING AND AUDITING PROFESSION IN ASEAN COUNTRIES

September 2014

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Executive Summary

ASEAN is progressively working towards the establishment of an economic community by the end of 2015. The ASEAN countries are working in wide range of areas towards improving integration through regulatory harmonization, reduction of trade barriers and promotion of labor mobility between countries under the coordination of the ASEAN Secretariat.

AFA recognizes the importance of supporting the ASEAN Secretariat's harmonization efforts and the common interest of the ASEAN countries in achieving this goal for the accounting and auditing profession. This report has been prepared in cooperation with the AFA to assist with this harmonization process by:

- providing an up to date snap shot of the current status of the accounting profession in each country;
- identifying the key areas of difference and the factors that are constraining the closing of the 'development gap'; and
- making recommendations on areas where increased regional coordination would be beneficial and where AFA could consider leading regional capacity building activities.

The overall key objective of the report is to promote the sustainable capacity development of the accounting and auditing profession across the ASEAN member countries. The report has deliberately not prioritized the recommendations made as that is a matter that will need to be decided by the AFA members in conjunction with decisions about AFA's future mandate and role.

Role of the Accounting and Auditing Profession

A properly functioning accounting and auditing profession is a critical component of private sector development in terms of domestic investor confidence and the ability to attract foreign direct investment. It is also critical to the public sector in terms of achieving sustainable public financial management reforms and the promotion of improved governance, accountability and transparency.

Most of the countries in ASEAN have or are in the process of adopting and implementing international accounting and auditing standards for both the private and public sectors. However, there are significant capacity issues in both the sectors, particularly in the 'lesser developed' member countries in ASEAN. These countries face a daunting task to successfully implement accounting and auditing reforms and will require substantial technical assistance and financial support over the medium term. Currently most of the support that is being provided is at the country level and in many cases it is ad hoc, and is not properly prioritized or sequenced.

AFA's Future Mandate and Role

AFA is clearly already a key regional accounting organization that has been formally recognized by the ASEAN Secretariat. It has also commenced discussions with IFAC about becoming a Recognized Regional Organization and recognizes the importance of achieving such official international recognition.

AFA intends to develop a strategic plan and as part of that process it will need to consider its future mandate and the role its member organizations want it to play in development of the ASEAN accounting and auditing profession.

Many of the recommendations in this report may give rise concerns about national sovereignty. The individual AFA member organizations will need to balance their national considerations with what they agree is in the best interests of ASEAN economic community as a whole. The benefits offered from increased harmonization, including the potential facilitation for more rapid closure of the current 'development gap' through regional coordination of capacity building, are significant.

AFA acknowledges its current capacity and resourcing constraints. Based on the decisions about AFA's future mandate and role it will need to define its own organizational capacity development needs. This will likely include consideration of its future organizational structure (e.g. permanent secretariat with full time staff), access to technical capacity (seconded from AFA members versus permanent staff or consultants), sustainability in terms of financial resources and the source of those resources (members' contributions versus development partner support).

Should development partner support be required AFA will need to be able to present a coherent and convincing proposal that demonstrates its commitment to achieving sustainable capacity development results.

National PAO Development

Within the AFA membership there are some very well developed PAOs. AFA could play an active role assisting the development of 'lesser developed' PAOs through the coordination and facilitation of mentoring arrangements for those PAOs that are in the early stages of their development. A useful approach may well be to cooperate with CAPA and potentially use the 'PAO maturity model' they have developed to ensure a comprehensive assessment is completed and that a properly tailored approach is taken to capacity development based on each PAO's local context.

Accounting Education

The variation in the quality of accounting education across ASEAN countries is probably the most important area and would potentially have the most impact in terms of closing the 'development gap' over the medium term.

The quality of the university accounting education opportunities available across the ASEAN countries and the extent to which the current degree courses offered by national universities are aligned with International Education Standard 2: *Content of Professional Accounting Education* varies significantly. AFA could commission a review across the ASEAN countries using IES 2 as a benchmark.

Using the findings from the above review AFA could consider the coordination of the development of a common core accounting curriculum for ASEAN countries (as well as teaching and study materials), in order to ensure that accounting academics and accounting students have mastered a core set of academic and professional competencies upon graduation. The common core curriculum could be utilized across ASEAN countries, with adaptations to ensure adequate coverage of local factors such as legislative and taxation requirements.

Such an exercise should be carried out in close cooperation with the national PAOs, as well as with their local in country stakeholders (education institutions, academics, business communities and public sectors). It is recognized that this would be a major undertaking and therefore would likely need to be undertaken in stages with input of substantial technical and financial resources.

Entry Requirements for Professional Accountants and Continuing Professional Development (CPD)

Closely aligned with accounting education are the entry and continuing professional development requirements for Professional Accountants. Again there is a currently wide variation in the requirements and the monitoring and enforcement of those requirements across AEAN countries.

AFA could consider providing coordination, facilitation and oversight of the three IES entry requirements:

- University Education
- Professional Examinations
- Practical Experience

and monitoring of CPD requirements.

In the longer term, a further potential option for AFA's consideration would be the establishment a common ASEAN accounting qualification that complies with IES, which could be administered in all ASEAN countries by the respective PAOs with oversight and quality control provided by AFA. This would enable progress towards the aim of achieving full mutual recognition across member PAOs.

Professional Independence and Ethics Requirements

High standards of professional ethics are just as important as having high quality accounting and auditing standards. None of the ASEAN countries have adopted IFAC's Code of Ethics in full and there are some wide variations across ASEAN countries in some areas (e.g. Auditor rotation).

AFA should consider a review of the degree of alignment of its member countries codes of ethics with the IFAC code of ethics including the audit rotation requirements. This could then provide the basis for discussions on areas where increased harmonization is possible.

Accounting, Auditing and Financial Reporting in the Corporate Sector

The accounting, auditing and financial reporting requirements in the corporate sector vary widely across ASEAN member countries. This raises issues in relation to the quality, consistency and comparability of financial information as well as the differing standards of accountability and transparency being applied.

PIE and SME Differentiation

The criteria used to determine what entities are defined as PIEs and SMEs are different in each country. AFA could consider working with interested stakeholders across the ASEAN member countries to facilitate a review of the PIE and SME definitions with the aim of achieving greater consistency in the criteria used.

Differential Reporting Framework

As part of this process the development of a differential reporting framework, that would achieve a greater degree of harmonization in terms of the general purpose financial reporting and statutory audit requirements for different entity types, could be developed. This framework could then be further adapted by individual countries to suit their individual contexts.

PIE Accountability Requirements

There is a wide variation in the requirements for submission of financial statements, the deadlines applied and the publication requirements for PIEs.

PIEs are the entities that are likely to have significant cross border activities both within and external to ASEAN economic community. Within the ASEAN countries there are countries that have very well developed regulatory frameworks. AFA could potentially have a significant impact through working with other key stakeholders (particularly regulatory agencies) to:

- achieve more consistency in the requirements for PIEs.
- develop a more robust framework for 'lesser developed' countries
  - for monitoring compliance with financial reporting standards
  - for monitoring of audit quality for both regulated and non-regulated entities;
- achieve better harmonization and collaboration between standard setters and regulators; and
- thereby contribute to raising the overall standard of corporate governance across the ASEAN economic community.

Accounting Standards and Standard Setting

All ASEAN countries have aligned their financial reporting standards to a greater or lesser degree with International Financial Reporting Standards. In practice, due to capacity constraints implementation of IFRS is quite weak in all except the more developed countries. Language and capacity constraints (including ineffective/under resourced PAOs and regulators) in 'lesser developed' countries mean that these countries will struggle to achieve full implementation and compliance with the standards adopted without significant capacity development and support over the medium term.

There is significant work required to ensure that there are sustainable mechanisms put in place to:

- translate and issue the standards and then keep them up to date as new standards are issued;
- coordinate training (particularly for existing accountants many of whom do not have university qualifications or internationally recognized accounting qualifications); and
- monitor compliance with the standards adopted.

There is also a significant, currently substantially unmet need, for capacity development and training on the practical application of the International Accounting Standards. AFA could therefore add significant value by coordinating regional capacity building in each of the areas mentioned above. Ideally this should focus on facilitating access to technical knowledge, expertise and implementation experience from within its members and associate members.

The fact that some ASEAN countries have chosen to adopt earlier versions or substantially modified versions of the international accounting standards is unfortunate. This will potentially negate the substantial benefits of consistency and comparability offered by the adoption and implementation of the international standards. In the context of the establishment of the ASEAN economic community and the broader harmonization agenda this is also unhelpful. AFA therefore has an important role in promoting the benefits of the adoption and implementation of International Accounting Standards with minimal amendments.

Almost all countries have issued simplified financial reporting standards for SMEs and again there a wide variations across the ASEAN countries. AFA could conduct an assessment of simplified accounting standards currently adopted and in the medium term coordinate the development of a common set of ASEAN accounting standards for SMEs. (Such standards could take into account the ASEAN context and the fact that IFRS for SMEs, without further simplification is too onerous for most SMEs in the lesser developed countries given the preparation cost and capacity constraints).

Auditing Requirements, Standards Adopted and Standard Setting

All ASEAN countries have also adopted or are in the process of adopting International Standards on Auditing (ISAs). However, many similar issues identified in the previous paragraphs on accounting standards apply. The implementation of the standards and quality of the audits conducted vary widely across the ASEAN countries.

All ASEAN countries require PIEs to have their financial statements audited. A number of countries have extended the statutory audit requirement to all companies or have set the audit exemption at a very low level.

As discussed above there are potentially significant benefits in achieving more consistency in the statutory audit requirements as part of the development of a differential reporting framework. AFA could also play a key role in coordinating the development of sustainable mechanisms for 'lesser developed' countries for:

- the translation and issuance of the ISAs along with the associated interpretations and guidance material and keeping this up to date as new material is issued; and
- the conduct of training on a regional basis on implementation of the standards.

Audit Regulation, Quality Assurance and Public Oversight

Many countries, including some ASEAN member countries, have established independent bodies to oversee the work of auditors, particularly those involved in statutory audits of PIEs. However, some ASEAN countries currently have no established systems of quality assurance and public oversight for the profession. The 'lesser developed' countries in particular are struggling in this area due to capacity constraints.

AFA could consider coordinating the establishment of a robust audit quality assurance mechanism at the regional level for resource-constrained countries, or those with smaller audit professions (in which there is often a scarcity of independent and qualified reviewers). Through such a mechanism, quality assurance reviewers from one country could assess auditors of peer countries and vice-versa. These countries could potentially work together to establish a common audit oversight body focusing on the monitoring of auditors of PIEs.

Public Sector Accounting and Auditing

Many PAOs do not have a mandate or any authority over the public sector and the focus of what they currently do is solely on the private sector. Often PAOs do not have well developed relationships with their public sector counterparts responsible for financial management, accounting standards and audit standards.

There are huge opportunities available for AFA, its member PAOs and through collaboration with other regional organizations (ASEANSAI and CAPA) to get involved in the public financial management reform agenda. The capacity building requirements are enormous and the PAOs have the opportunity make a significant contribution to improved financial management in the public sector and thereby improve governance, accountability and transparency. There is the added benefit of a potentially large untapped PAO membership base in many ASEAN countries public sectors.

AFA needs to consider the future role it (and its members) wishes to play in terms of the public financial management reform agenda and the capacity building required. There are large synergies to be had from developing one overall framework for the accounting and auditing across both the private and public sectors which has been made possible by the convergence of the international standards. Development partners are likely to be very receptive to initiatives in this area.

1.0 Introduction

1.1 There are ten member countries that are members of Association of South East Asian Nations (ASEAN) that is headed by the ASEAN Secretariat based in Indonesia. The member countries are Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

1.2 ASEAN is progressively working towards the establishment of an economic community by the end of 2015. The ASEAN countries are working in wide range of areas towards improving integration through regulatory harmonization, reduction of trade barriers and promotion of labor mobility between countries under the coordination of the ASEAN Secretariat. However, a previous Chair of ASEAN stated there is a "huge 'development gap' between ASEAN countries" and he called for a redoubling of efforts to narrow the gap as it will continue to constrain progress on achieving economic growth, the more equitable distribution of the benefits of that growth and poverty reduction.

1.3 There are significant financial management capacity issues in both the private and public sectors particularly in the lesser developed member countries in ASEAN. A properly functioning accounting and auditing profession is a critical component of private sector development in terms of domestic investor confidence and the ability to attract foreign direct investment. It is also critical to the public sector in terms of the success of sustainable public financial management reforms and the promotion of improved governance, accountability and transparency.

1.4 There has been a good level of progress with harmonization efforts in some professional services areas with harmonized standards and consistent membership and qualification requirements being developed (Engineers, Architects etc). However, there has been only limited progress to date in the accounting and auditing profession.

1.5 Following discussions with the ASEAN Federation of Accountants (AFA) it was agreed that the World Bank would prepare of a report on the current status of the accounting and auditing profession across the ASEAN countries that identifies of the key areas of difference and the factors that are constraining its development. The findings would then be used by AFA to inform the preparation of a strategy for future regional capacity building activities and to generate discussions with other stakeholders on how these activities might be delivered and funded.

2.0 Context

2.1 Most of the countries in ASEAN have or are in the process of adopting and implementing international accounting and auditing standards for both the private and public sectors. In the private sector some of the 'lesser developed' member countries have begun implementing financial sector reforms and establishing capital markets without appropriate regulatory and oversight arrangements or proper standards of corporate governance in place. While in public sector most of the public financial management reforms at the country level are at a very early stage and are being hampered by low capacity particularly in financial management.

2.2 There are significant financial management capacity building requirements in terms of institution building and human capital development in both the private and public sectors in the 'lesser developed' countries. They face a daunting task to successfully implement accounting and auditing reforms. For sustainable progress to be made substantial technical assistance and financial support over the medium term will be required. Currently much of the support that is being provided is at the country level and in many cases it is ad hoc, and is not properly prioritized or sequenced.

2.3 The ASEAN Secretariat and the ASEAN Federation of Accountants (AFA) have been working on putting in place mutual recognition agreements between the various professional accountancy bodies in the ASEAN member countries. Some progress has been made for accounting services provided by non-practicing accountants but very little progress has been made for accountants in professional practice. A key constraining factor has been the relatively low level of development of the accounting and auditing profession in several ASEAN countries.

2.4 This report has been prepared in cooperation with the AFA with the key objective being to assist the sustainable capacity development of the accounting and auditing professions across ASEAN member countries. AFA recognizes the importance of supporting the ASEAN Secretariat's harmonization efforts and the common interest of the ASEAN countries in closing the 'development gap'. AFA is committed to taking a leadership role in the development of the ASEAN accounting and auditing profession.

2.5 Various development partners already have a range of existing capacity building initiatives at the country level in most of the 'lesser developed' countries in ASEAN. AFA and the World Bank believe that there are significant advantages, in terms of the reduction of duplication, increased consistency and cost savings, by encouraging a more coordinated approach to capacity development at the regional level.

2.6 This report provides an:

- up to date snap shot of the current status of the accounting profession in each country;
- identifies key areas of difference and the factors that are constraining the closing of the 'development gap'; and
- makes recommendations on areas where increased harmonization and coordination would beneficial and where AFA could consider leading regional capacity building activities.

3.0 Role of Regional Accountancy Organizations

3.1 The importance of regional accountancy bodies and the key role they can play in leading and facilitating the development of the accounting and auditing profession has often been overlooked. The recent PAO Global Development Report[1] emphasized the importance of this by highlighting it as one of its ten key areas of focus for PAO development activities

"Strengthen Regional Organizations and the services they provide

Regional accountancy organizations can have a strong impact on the development of national-level PAOs. By combining knowledge, expertise, and ability at the regional level, they offer opportunities for mutual support and assistance to national-level efforts in PAO development. Although these organizations have had a strong impact on regional PAO development, the demand for their support greatly outweighs their current capacity."

3.2 In ASEAN there are two regional accountancy organizations[2]:

- ASEAN Federation of Accountants (AFA) which was established in 1977 and is the umbrella organization for the national associations of accounting professionals of the member countries. AFA has member PAOs in the 10 ASEAN member countries (Myanmar Accountancy Council is the official AFA Member however MICPA representatives actively participate). It also has four associate members ACCA, CPA Australia, CAANZ and ICAEW.
- Confederation of Asian and Pacific Accountants (CAPA) was established in 1976, and represents national PAOs in the Asia-Pacific region. CAPA has 23 member PAOs, 4 Associates and 4 Affiliates in 24 jurisdictions. The Affiliates are headquartered outside the Asia Pacific Region (France and UK PAOs).

3.3 AFA is currently not formally recognized or acknowledged by IFAC as a Recognized Regional Organization or an Acknowledged Accounting Grouping. CAPA is a Recognized Regional Organization of IFAC and its jurisdiction covers the ASEAN region, however, only 2 or the 10 ASEAN country PAOs are full members of CAPA[3].

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[1] PAO Global Development Report was published in 2013 and was developed under the Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration jointly financed by a group of development partners under the coordination of the interim MOSAIC Secretariat hosted by the International Federation of Accountants

[2] IFAC have two types of organization recognition categories – Recognized Regional Organizations (RRO) and Acknowledged Accounting Groupings (AAG).

[3] Of the eight other AFA members most have been members of CAPA at some time. The following were founding members in 1960 and resigned as follows; Malaysia (2011), Indonesia (1998), Thailand (1998). Both MIA and MICPA (2005) have been members from Malaysia. Burma was a member from 1976 to 1998.

3.4 AFA acknowledges its current capacity and resourcing constraints. AFA is progressively working to establish its identity and has been formally recognized by the ASEAN Secretariat. It has also commenced discussions with IFAC about becoming an Acknowledged Accounting Grouping. It intends to develop a strategic plan for regional capacity building initiatives and use this to develop a proposal for discussion with development partners and other stakeholders. It has also recently been in dialogue with other relevant regional bodies to try and increase the level of coordination and collaboration(CAPA and ASEANSAI in particular).

Recommendations

3.5 AFA is clearly already a key regional organization but needs to obtain official recognition and acknowledgment from IFAC as a matter of priority.

3.6 As part of AFA's strategy development process it needs to further consider its mandate, the future role it wants to play in development of the ASEAN accounting and auditing profession. Many of the recommendations in this report may raise concerns about national sovereignty and the individual members will need to balance their national considerations with what they agree is in the best interests of ASEAN economic community as a whole. The benefits offered from increased harmonization and the potential for more rapid closure of the development gap through regional coordination of capacity building are significant. In any event it will be very important that a full consensus and commitment is reached across the AFA membership in this area.

3.7 Based on what is decided about the mandate and role AFA will then need identify its own organizational capacity development needs. AFA will need to consider its future organizational structure (e.g. permanent secretariat with full time staff?), access to technical capacity (seconded from AFA members versus permanent staff or consultants), sustainability and the financial resources it will need (members contributions versus development partner support). All these aspects will have an impact on AFA's ability to present a coherent and convincing proposal that demonstrates its commitment to achieving sustainable results which will be the primary focus of development partners.

3.8 AFA should play a key role in assisting its member PAOs to raise the profile of the accounting and auditing profession in their national jurisdictions including explaining to the PAOs role and mandate particularly in relation to the public sector which is often misunderstood or not even recognized (refer paragraphs 4.7 and 4.8 below).

4.0 National Professional Accountancy Organizations in ASEAN

4.1 There are 14 national professional accountancy organizations (PAOs) in ASEAN, representing approximately 153,000 professional accountants[4] but a number of them do not have an internationally recognized accounting qualification by IFAC. The size of the profession in each country varies widely, with Thailand having the largest profession at over 50,000 members, equivalent to a third of the total ASEAN profession.

4.2 Most PAOs are members of the International Federation of Accountants (IFAC) and/or a regional grouping/organization such as AFA or CAPA.

Specifically:

- **AFA**: Ten PAOs are full members (BICPA-Brunei, KICPAA-Cambodia, IAI-Indonesia, MAC-Myanmar, MIA-Malaysia, PICPA-Philippines, ISCA-Singapore, FAP-Thailand, LICPA/LCPAA[5] -Lao PDR and VAA-Vietnam).
- **IFAC**[6]: Six PAOs are full members (IAI-Indonesia, MIA-Malaysia, PICPA-Philippines, ISCA-Singapore, FAP-Thailand, VAA-Vietnam –currently under suspension of its membership by IFAC), and two are associate members (BICPA-Brunei and KICPAA-Cambodia).
- **CAPA**: PICPA-Philippines and VACPA-Vietnam are full members.

4.3 Relatively few PAOs have entered into mutual recognition agreements with their fellow AFA members. KICPAA (Cambodia) recognizes the MIA, PICPA and ISCA certifications. However, the recognition is not mutual, as none of these latter bodies accepts the KICPAA certification. IAI (Indonesia) recognizes the MIA (Malaysia) certification, and vice-versa, but this is not a full mutual recognition agreement, as this is based on the exclusive recognition of both organizations' memberships only.

4.4 AFA is encouraging and facilitating discussions on mutual recognition between members but the 'development gap' is a key constraining factor to achieving full mutual recognition by all members. In addition to intra-ASEAN recognition, several PAOs accept the certifications of PAOs based in other countries, such as Australia and the United Kingdom.

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[4] This number is likely overstated as it is the sum of the membership figures of all PAOs, which may have resulted in double counting if an accountant is a member of more than one professional body in their country.

[5] According to the new amended Accounting Law and Independent Audit Law the name will be Lao Chamber of Professional accountants (LCPAA).

[6] The International Federation of Accountants (IFAC).

4.5 Figure 1 and Table 1, below, provide additional information on each PAO based on responses to the survey questionnaire.

Figure 1: Approximate number of professional accountants by country

Country	Number of Accountants	% of total in ASEAN
Brunei	50	0.03%
Cambodia	258	0.15%
Indonesia	20,735	12.07%
Lao	175[7]	0.10%
Malaysia	32,750	19.06%
Myanmar	550	0.32%
Philippines	21,586	12.57%
Singapore	28,869	16.80%
Thailand	57,467	33.45%
Vietnam	9,350	5.44%
Total	**171,790**	**100.00%**

* Total accountants affiliated with national professional accountancy bodies. Does not include accountants with a foreign (i.e., non-ASEAN) qualification if they are not also affiliated with their national PAO. There may be double counting if an individual is a member of more than one national PAO. Membership data were gathered over the period of January 2013 through March 2014.

[7] This number includes non-practicing members as well as individual and legal entity members.

Table 1: Professional AccountancyBodies in ASEAN

	PAO (membership mandatory/ voluntary)	International Affiliation	Recognition of foreign certifications
Brunei	• Brunei Institute of Certified Public Accountants ~60 members (Mandatory for public accountants)	• IFAC Associate, 2009 • AFA	• CPA Australia • ACCA • CCANZ • ICAEW • Institute of Chartered Accountants of Ireland • Institute of Chartered Accountants of Scotland
Cambodia	• Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA), ~258 members (Mandatory for active members)	• IFAC Associate, 2008 • AFA	• CPA Australia • ACCA • Malaysian Institute of Accountants • Philippine Institute of Certified Public Accountants[8] Institute of Singapore Chartered Accountants
Indonesia	• Indonesian Institute of Accountants (IAI), ~20,735members - Mandatory for State Registered Accountants[9] • Indonesian Institute of CPAs (IAPI) -1534 members- (Mandatory for Public Accountants)	• IAI: IFAC member, 1977; AFA: co-founding member • IAPI: None but membership with IFAC is in the process of registration and verification.	• IAI: Malaysian Institute of Accountants (recognition of membership) • IPAI: None

[8] Filipinos can practice in Cambodia, but Cambodians cannot practice in the Philippines in accordance with the MOA between PICPA and KICPAA

Lao PDR	• LICPA / LCAA ~175 members (Mandatory for practicing members)	• AFA	None
Malaysia	• Malaysian Institute of Accountants (MIA) ~30,000 members. MIA is also the regulating body for the profession. (Mandatory) • Malaysian Institute of CPAs (MICPA) ~3150 members (Voluntary)	• MIA: IFAC Member, 1977; Member of AFA • MICPA: IFAC Member, 1977	• MIA: ACCA, ICAEW, CIMA, ICA Scotland, ICA Ireland, ICA India, CPA Australia, CAANZ, Canada ICA. • MICPA: ICAA and ACCA; MICPA CPAs may also admit as ICAEW members through Pathway Route
Myanmar	• Myanmar Institute of Certified Public Accountants (MICPA) ~550 members (Voluntary)	None, but discussing membership with IFAC and has a strong relationship with AFA	None
Philippines	• Philippine Institute of Certified Public Accountants (PICPA) ~21,586 members (Voluntary) • Association of CPAs in Public Practice (ACPAPP) ~900 members (Voluntary)	• PICPA: IFAC Member, Member of AFA and CAPA • ACPAPP: None	None

[9] Indonesian Minister of Finance Decree No. 25/PMK.01/2014

Singapore	• Institute of Singapore Chartered Accountants of Singapore (ISCA) ~25,400 members (Voluntary)	• IFAC Member • Founding member of AFA • Member of International Innovation Network (IIN)	CPA Australia ACCA[i]
Thailand	• Federation of Accounting Professions (FAP) ~57,500members (Voluntary)	• Primary member of IFAC since 1977 • Primary member of AFA, actively involved in AOSSG relating IFRS Foundation.	None
Vietnam	• Vietnam Association of Accountants and Auditors (VAA) ~8000 members (Voluntary) • Vietnam Association of CPAs (VACPA) ~1350 members (Voluntary)	• VAA: IFAC Member since 1998; AFA Member since 1999 • VACPA: IFAC Member; CAPA Member	• VAA: ACCA • VACPA: ACCA and CPA Australia

4.6 The recently published Global PAO Global Development Report highlights the key role PAOs can and should play in *"improving the quality of public and private sector accountancy and financial management"* and importantly "enhancing the effectiveness and efficiency of donor assistance".

4.7 The report outlines that:

"when PAOs have appropriate capacity they are able:

- *to operate in the public interest;*
- *develop capable and competent accountancy professionals;*
- *promote strong professional and ethical standards;*

- *enhance the quality of financial reporting and auditing through education and training, quality review, investigation, and discipline of professionals; and*
- *act as a resource to government, regulators and other stakeholders on accountancy related issues".*

4.8 There is a wide difference in the capacity levels of PAOs in ASEAN ranging from fully developed international standard PAOs to those that are at the very early stages of their development. Many of the PAOs in the 'lesser developed' countries suffer from:

- an acute lack of technical capacity and resources (that is also reflective of the overall situation in the countries in which they operate);
- inadequate legal and regulatory framework which means that the enabling environment is weak, often with very limited understanding of the PAOs role by key stakeholders (particularly by government and regulators);
- low quality professional education standards with limited alignment with IFAC's International Education Standards for Professional Accountants (IES) – refer section 5.0;
- weak oversight and monitoring of compliance with professional standards including ethical standards;
- limited understanding of the implications of the adoption and implementation of international accounting and auditing standards (particularly the magnitude of the capacity building required for successful implementation); and
- low or no impact on public sector financial management reforms (primarily regarded as a private sector regulator rather than part of the overall accounting and auditing ecosystem).

4.9 The PAO Global Development Report stresses the need to take a comprehensive approach to PAO development to ensure all key aspects of its role and mandate are properly addressed. One way of doing this is through mentoring arrangements between more and 'lesser developed' PAOs and to a certain extent this is already occurring within the AFA membership.

Recommendations

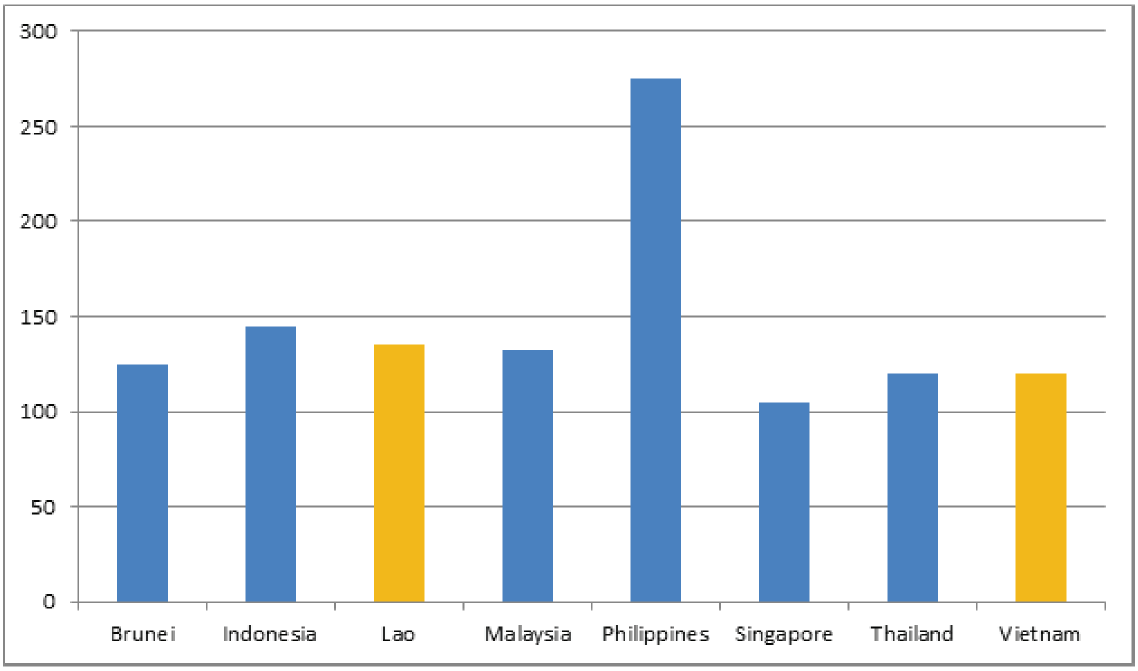
4.10 AFA should consider taking greater advantage of the fact that it has very well developed PAOs within its membership and take an active role in coordinating and facilitating mentoring arrangements for those PAOs that are in the early stages of their development. A useful approach may well be to cooperate with CAPA and potentially use the 'PAO maturity model' to ensure a comprehensive assessment is completed and that a properly tailored approach is taken to their development based on each PAO's local context.

5.0 Accounting Education

5.1 Improvement in the quality of accounting education is the most important area for sustainable capacity development for the ASEAN Region. There are significant shortages of accountants with internationally recognized accounting qualifications in many ASEAN countries. These shortages will increasingly hamper economic growth and competitiveness if they are not addressed in a comprehensive manner.

5.2 Figure 2 sets forth information on credit hours and coverage of international standards in university curricula, and Figure 3 shows the breakdown of graduates per country, based on the responses to the survey questionnaire.

Figure 2: Minimum credit hours to obtain an accounting degree / inclusion of international standards in the curricula

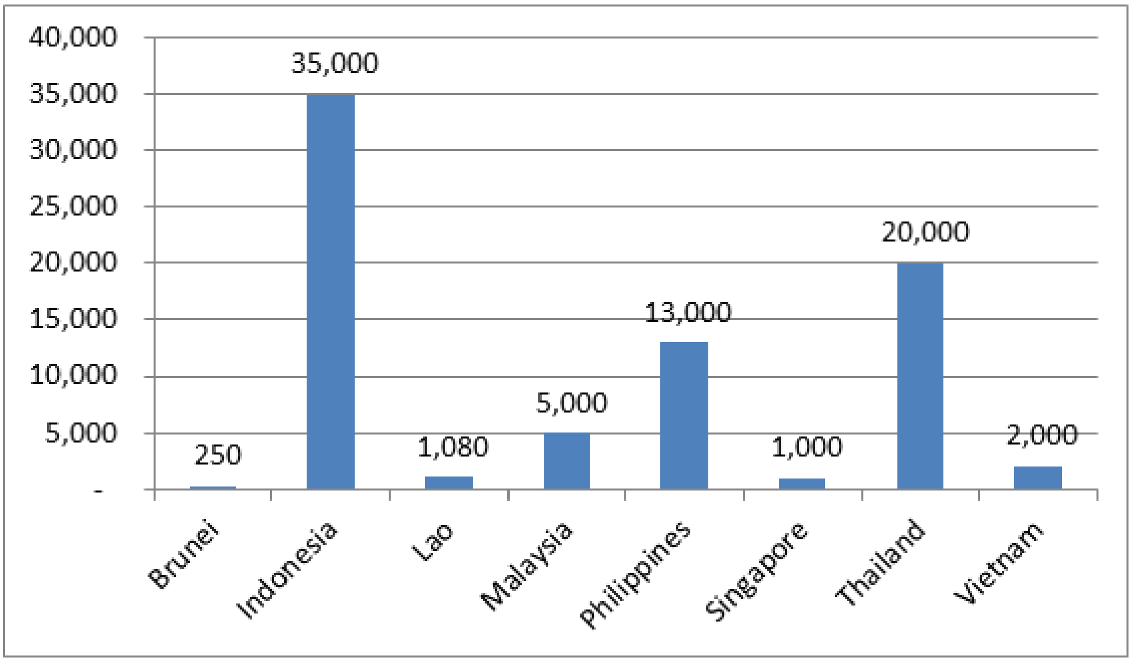


Blue=IFRS and ISA covered under the curricula Orange=not covered

5.3 Analyzing the accounting curricula of universities for comprehensiveness and quality was beyond the scope of this report. However, in practice the quality of accounting education in ASEAN is varies greatly, although all countries have universities which at a minimum offer accounting related studies.

5.4 The responses to the survey questionnaire indicate that most countries universities cover IFRS and ISA in their curricula. It also appears that Accounting is a very popular field of study in ASEAN countries, with approximately 80,000 graduates per year in respondent countries (see Figure 3). The median number of credit hours required to obtain an accounting degree among respondent countries was 134, with not a great deal of variation (the exception was the Philippines, which requires 277 credit hours, more than twice the median requirement). The quality of education is, of course, an important consideration; however, it was beyond the scope of this survey to assess the accounting education in terms of quality or content.

Figure 3: Accounting graduates per year, by country



Recommendations

5.5 AFA could commission a review of the quality of the university accounting education opportunities available across the ASEAN countries and the degree to which the current degree courses offered by national universities are aligned with IES requirements. International Education Standard 2, *Content of Professional Accounting Education Programs*, could be utilized as a benchmark for such an exercise. It is recognized that this would be a major undertaking and therefore would likely need to be undertaken in stages to ensure it does not become unwieldy.

5.6 Using the findings from the above review AFA should consider the coordination of the development of a common core accounting curriculum for ASEAN countries (as well as study materials), in order to ensure that accounting students have mastered a core set of academic and professional competencies upon graduation. The common core curriculum could then be utilized across ASEAN countries, with adaptations to ensure adequate coverage of local considerations and legislation.

5.7 Such an exercise should be carried out in close cooperation with PAOs, as well as with the public sector and business community (who will hire many of the graduates).

6.0 Entry requirements for professional accountants and Continuing Professional Development (CPD)

6.1 As mentioned above, IFAC, in the International Education Standards for Professional Accountants (IES) set forth a number of education and training requirements to ensure that accountants and auditors to meet minimum qualification requirements in order to be able to offer professional accountancy services. Meeting IES is one of the seven Statements of Membership Obligations (SMOs, see Box 1) for all IFAC members. IES are currently in the process of being revised but they still serve as a useful benchmark for assessing entry requirements for the profession.

Box 1: IFAC's Statements of Membership Obligations (SMOs)

SMO 1 - Quality Assurance (QA): sets out the requirements of an IFAC member body with respect to quality assurance review systems for members who perform audits, review, other assurance, and related services engagements of financial statements.

SMO 2 – International Education Standards (IESs): sets out the requirements of an IFAC member body with respect to international standards and other pronouncements issued by the International Accounting Education Standards Board (IAESB), an independent standard-setting body.

SMO 3 - International Auditing and Assurance Standards (IAASB) pronouncements: sets out the requirements of an IFAC member body with respect to international standards and other pronouncements issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body.

SMO 4 - International Ethics Standards Board for Accountants (IESBA) Code of Ethics: sets out the requirements of an IFAC member body with respect to the Code of Ethics for Professional Accountants (IESBA Code of Ethics) issued by the International Ethics Standards Board for Accountants (IESBA), c SMO 4 requires adoption and implementation of standards no less stringent than the IESBA Code of Ethics.

SMO 5 - International Public Sector Accounting Standards (IPSAS): sets out the requirements of an IFAC member body with respect to International Public Sector Accounting Standards (IPSAS) and other pronouncements issued by the International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body.

SMO 6 - Investigation & Discipline: sets out the requirements of an IFAC member body with respect to mechanisms that provide for the investigation and discipline of those professionals who fail to exercise and maintain the professional standards and related obligations of an IFAC member body.

SMO 7 - International Financial Reporting Standards: sets out the requirements of an IFAC member body with respect to International Financial Reporting Standards (IFRS) and other pronouncements issued by the International Accounting Standards Board (IASB), an independent standard-setting body.

6.2 The current IES entry requirements are as follows:

- A university education with adequate accounting curriculum standards – refer to section 5 above;
- At least three years of practical experience under an experienced mentor; and
- Passing a qualifying examination.

6.3 In addition, once a prospective accountant gains entry to the profession, IES requires at least 120 hours of continuing professional development (CPD) over each three-year period (or, on average, 40 hours per year) to maintain their professional license.

6.4 A comparison of the requirements in ASEAN countries is provided in Table 2, below.

Table 2: Comparison of entry and CPD requirements for the accounting profession

	University Education	Professional Examination	Practical Experience (years)	CPD (hours/ years)	Comments
Brunei	N/A	N/A	3	Per PAO membership requirements	• In order to join BICPA, one must be a member of one of the large British or Commonwealth PAOs (e.g., ACCA, ICAEW)

Cambodia	Not Clear	Not Clear	3	40/1	• At least 3 years practical experience under a KICPAA firm member • No accreditation of CPD providers • If an individual does not comply with CPD, s/he is deregistered.
Indonesia	✓	✓	3	120/3 (30 hours per year min)	• Bachelor's degree, in addition to the Professional Accountancy Education Program as set by IAI. The final exam for this program is IAI's CA exam. • Both IAI and IAPI have exams. IAI is responsible for the CA designation and exam, while IAPI is responsible for the CPA designation and exam. • 3 years of experience in the service of a chartered accountant or in a government department, bank, insurance company, local authority, or other commercial, financial, industrial or professional organization. • CPE Accreditation by IAI/IAPI • Non-compliance with CPE requirements results in inability to renew license the following year.

Lao PDR	✓	✓			• LICPA administer the exam. • Proposed independent audit law introduces practical experience requirement: 3 years, of which two with an audit firm • Proposed law introduces CPD requirement: 120 hours over three years, with a minimum of 20 hours per year.
Malaysia	✓	✓*	3	120/3	MIA • Candidates with a university degree or membership of certain foreign PAO are not required to take the exam • Professional experience required MICPA • CPA candidates must take MICPA examination. • Professional experience not required if already members of a recognized PAO

Myanmar	✓	✓	2	120/3	• Only graduates from Institutes of Economics, majoring in Commerce or Accountancy, or Diploma in Accountancy certificate holders (issued by Myanmar Accountancy Council, MAC) are eligible to apply for admission to pursue a 2-year CPA training course conducted by MAC. • Practical training providers are Office of Auditor General and private audit firms. • Non-compliance with CPE requirements results in inability to renew license the following year.
Philippines	✓	✓		60/3	• Bachelor of Science degree in Accountancy required to enter profession • Exam is administered by the Board of Accountancy • CPE providers must be accredited every 3 years by PRC CPE Council for Accountancy. . • Non-compliance with CPE requirements results in inability to renew license the following year for those in public practice.

Singapore	✓	✓	3	120/3	• Singapore QP was launched in June2013. This has 3 components namely academic base, professional programme and practical experience. The Singapore QP was created as a pathway for both local and regional accounting and non-accounting graduates to attain the "Chartered Accountant of Singapore" professional designation. The three year program is designed to be an internationally recognized and portable post-university qualification that furthers the professional development of university graduates. • ISCA professional examination only required if one does not have a degree from a recognized university or a recognized foreign qualification. • Quality Assurance process is in place to assess ISCA CPE courses' training materials and facilitation process.

					• For public accountants, ACRA is responsible for enforcing the requirement via random audits. • For public accountants non-compliance with CPE requirements results in inability to renew license the following year.
Thailand	✓	✓	3	18/1	• CPA candidates must have a Bachelor Degree in Accounting • FAP approves CPD providers and enforces the requirement. • Failure to comply with CPD can result in withdrawal of professional title
Vietnam	✓	✓	5	40/1	• Exam administered by MoF • VAA, VACPA and MOF can act as CPD providers and enforce the requirement

6.5 On the surface of it, most ASEAN countries have requirements that are broadly in line with IES. However, there is a very wide variation in the quality of university education available for accounting graduates across member countries and the adequacy accounting curricula currently being used in some countries is a key issue (refer section 5). The availability of appropriate practical experience opportunities (including mentors with the right skills and experience) and proper monitoring of achievement of the practical experience requirements is very problematic in the lesser developed countries. There is also a lack of consistent quality standards in the setting and supervision of qualifying examinations.

6.6 These deficiencies are a key constraining factor to the overall development of the accounting profession across ASEAN member countries as a whole. It also inhibits the free flow of professional accounting services across ASEAN economic community and will increasingly hamper the economic development of the lesser developed countries and the ASEAN economic community unless these issues are addressed.

6.7 The more developed countries within ASEAN have already have achieved full compliance with IES. The focus therefore should be on assisting the 'lesser developed' countries professions to raise their education standards in a sustainable manner as quickly as possible.

6.8 There are significant benefits available from greater harmonization and collaboration in regional capacity building under the leadership of AFA in this area including:

- minimizing duplication of effort for lesser developed countries in developing separate arrangements; and
- ensuring that accountants within ASEAN have a minimum level of core competencies before being able to offer professional services.

Recommendations

6.9 AFA should consider providing coordination, facilitation and oversight of the three IES entry requirements in the following areas;

i) collaborative arrangements between Universities in terms capacity building for academic staff, implementation of adequate accounting curricula and potentially joint degree programs;

ii) the implementation of a common standard for practical experience requirements, mentoring arrangements and the monitoring of achievements;

iii) opportunities for graduates to obtain appropriate practical experience and accreditation of training organizations;

iv) the establishment of a common standard for CPD, coordination of regional CPD opportunities and the monitoring of CPD requirement compliance[10];

v) the establishment of a common ASEAN qualifying examination and managing the qualifying examination setting process; and

vi) oversight of the administration and marking of the qualifying examination to ensure consistent quality standards are achieved.

6.10 In the longer term, a further potential option for AFA's consideration would be the establishment a common ASEAN accounting qualification that complies with IES, which could be administered in all ASEAN countries by the respective PAOs with oversight and quality control provided by AFA.

[10] Under a World Bank IDF Grant CAPA is currently developing a CPD toolkit to assist PAOs

7.0 Professional independence and ethics requirements

7.1 Adherence to high standards of professional ethics is an essential aspect of the accounting and audit profession, just as important as high quality accounting and auditing standards. IFAC has a comprehensive Code of Ethics for Professional Accountants, which is a widely recognized benchmark of good international practice. The Code, most recently revised in 2013, sets forth and "classifies the various threats to accountant and auditor objectivity into five major categories, provides a framework for judging whether a particular situation or factor could threaten an accountant's or auditor's impartiality, and recommends specific safeguards to preserve independence from these threats." (Fortin et al.2010).

7.2 Table 3 below summarizes the ethics and rotation requirements in ASEAN countries based on responses to the survey questionnaire.

Table 3: Ethics and rotation requirements for auditors

	Adopted IFAC CoE	Rotation	Comments
Brunei	Yes	Audit firm for audits of Banking Institutions	• Adopted the IFAC Code of Ethics
Cambodia	Not fully	The regulators the National Bank of Cambodia and the Stock Exchange Commission of Cambodia have established audit rotation requirements: • NBC – audit firm every 3 years but is silent on a cooling off period • SECC – audit firm evry 3 years and a cooling off period of 3 years.	Code of ethics for professional accountants and auditors developed by KICPAA (2005). In the code of ethics there is no mention of rotation of audit firms or audit partners.It is legally enforceable.

Indonesia	○	Partner and firm for all audits	• All audits: Partner rotation every 3 years; Audit firm rotation required every 6 years. Cooling off: 1 year • Listed companies: Partner rotation every 3 years; firm every 5 years; Cooling off: 3 years. • Banks: 5 year partner and firm rotation • Rural banks: 3 year rotation
Lao PDR	No	Partner	• Currently there is no code of ethics, but the proposed independent audit law states that IFAC's CoE would be required. • Audit partner rotation is required every 5 years. However, PIEs may opt for having their financial statements audited by two statutory auditors in lieu of partner rotation (new approved Independent Audit Law[11])

[11] The new law was approved by the National Assembly on 22 July, 2014 and will promulgated by the President of Lao PDR after review of the final revisions.

Malaysia	●	Partner	• MIA-issued bylaws on Professional Ethics, Conduct and Practice, based on IFAC's CoE are used • Key audit partner must rotate at least every 5 years. The cooling off period is 2 years. No audit firm rotation.
Myanmar	○	None	• MAC Law provision on ethics is in force, which is mostly in line with IFAC CoE
Philippines	●	Partner	• Code of Ethics conforms with the 2010 IFAC CoE. • Audit partner rotation is required every 5 years for listed companies. The cooling off period is of 2 years.
Singapore	○	Partner rotation for all co.; Firm rotation for banks*	• Code of Professional Conduct and Ethics is based on IFAC's the Code of Ethics issued in 2006. It includes Singapore provisions to supplement the IFAC code as well as additional guidance and requirements for public accountants in Singapore. The Code is in English.

			• A Public Consultation on Proposed Amendments to the Code of Professional Conduct and Ethics for Accountants and Accounting Entities was carried out in November 2013. The proposed amendments to the Singapore Code takes into account the revisions made to the IESBA Code issued in 2009. • For listed companies, Singapore Exchange (SGX) requires the audit partner to rotate every 5 years, with a 2-year cooling off period. • Banks must rotate the audit firm every five years; however, this requirement has been suspended for 3 Singaporean banks since 2008. • For other audits, engagement partners and those responsible for the engagement quality control review should be rotated at least once every 7 years, with a 2-year cooling off period

Thailand	O	Partner	• FAP has a Code of Ethics based on IFAC's 2012 version. • PIEs: audit partners must rotate every 5 years. Cooling off period is 2 years.
Vietnam	O	None	• Vietnam has a Code of Ethics based on IFAC's. It was developed by the Ministry of Finance and is legally enforceable. • IFAC's CoE is translated into Vietnamese by the Ministry of Finance

7.3 None of the ASEAN countries have adopted IFAC's Code of Ethics in full. Seven countries have their own codes of ethics, which are based on the IFAC Code—sometimes an outdated version of it (Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam)-while Cambodia has its own home-grown Code of Ethics.

7.4 One of the provisions of the IFAC Code of Ethics is a requirement for rotation of the key audit partner after a maximum of seven years for public interest entity audits, with a cooling off period of at least two years (Section 290.151). This requirement is reflected in statute in other jurisdictions, such as the Sarbanes-Oxley Act of the United States, which requires the lead engagement partner as well as the concurring audit partner to rotate every five years for listed companies. The European Union (through the Statutory Audit Directive of 2006) requires key audit partner rotation after a maximum of seven years, and is expected to issue in mid-2014 a regulation (Regulation on Statutory Audit of Public Interest Entities) mandating audit firm rotation after a maximum of 10 years for PIEs.

7.5 The audit rotation requirements vary greatly across the ASEAN countries, and include both audit firm and partner rotation, which are limited to PIEs and apply to all audits. Internationally there has been a great deal of discussion on audit rotation and the associated benefits and costs as well as the implementation challenges in implementation.

Recommendations

7.6 AFA should consider commissioning a review of the degree of alignment of its member countries codes of ethics with the IFAC code of ethics including the audit rotation requirements with a view to achieving an increased level of harmonization across the ASEAN countries.

8.0 Accounting, Audit and Financial Reporting in the Corporate Sector

8.1 The requirements relating to accounting, audit, and financial reporting in the corporate sector vary significantly. Some countries in ASEAN set requirements in accordance with company size; others set requirements in accordance with a company's legal form (e.g. joint-stock companies versus limited liability companies); while still others use a blend of the two criteria.

8.2 Table 4 below summarizes the factors that affect a company's accounting, audit and financial reporting requirements. Most set requirements in accordance with legal form, or legal form in conjunction with size. It is important to note, however, that a company's legal form is often used as a proxy for its size. Larger, more complex companies tend to be incorporated as corporations, public companies, or joint-stock companies, while smaller companies tend to be incorporated as limited liability companies or private companies.

Table 4: Factors that affect a company's accounting, audit, and financial reporting requirements

	Size	Legal Form
Brunei		✓
Cambodia	✓	
Indonesia		✓
Lao PDR	✓	✓
Malaysia		✓
Myanmar		✓
Philippines	✓	✓
Singapore	✓	✓
Thailand	✓	✓
Vietnam	✓	✓

Differentiation in accounting, audit, and financial reporting requirements

8.3 International good practice suggests that the requirements of a company should be commensurate with its size, the types of transactions it carries out, and its range of stakeholders. As such, companies in which the public has a significant interest (public interest entities, or PIEs) should face more stringent requirements. Conversely, micro, small, and medium-sized companies (MSMEs) should have simplified requirements, and the smallest companies might need no general-purpose reporting requirements at all (taxation reporting only).

8.4 Some common areas of simplification include: exemptions from statutory audits, simplified financial reporting standards, and less extensive or no general-purpose financial reporting requirements.

8.5 This section firstly provides an overview of the definitions of PIEs and SMEs in ASEAN countries, then goes on to describe the financial reporting regime applicable to each category.

Public Interest Entities (PIEs):

8.6 While there is no internationally accepted definition of a PIE, the International Accounting Standards Board (IASB) considers that companies that meet one or more of the following conditions should be considered a PIE.

- Receives funds from the public in a fiduciary capacity (including banks, insurance companies, savings and loan institutions, investment funds, and pension funds)
- Provide essential public services and are subject to public procurement
- Are active in strategic sectors in the economy, such as defense, or operate as monopolies
- Are owned by the State (state-owned enterprises)
- Have issued or have taken legal steps to issue securities on an exchange, or have a large number of shareholders representing a substantial ownership interest
- Are economically significant to the country as a whole, through such indicators such as revenues, number of employees, or amount of assets.

8.7 This definition is broadly consistent with that of the World Bank in conducting ROSC Accounting & Auditing diagnostic assessments.

8.8 While not all ASEAN countries have a legal definition for PIEs, the ones that do, for the most part, utilize a definition that is similar to the above. However, most are more limited in scope by including only financial institutions and listed companies.

8.9 Table 6 below summarizes the findings from the responses to the survey questionnaire. More information on the requirements placed on PIEs can be found in the section on Regulated Entities.

Table 5: Public Interest Entities - Definitions

	Legal Definition	Fiduciary	Listed companies	Public services	SOE	Economic significance
Brunei	Yes	●	● [1]			
Cambodia	Yes	●	●			
Indonesia	Yes	●	●			
Lao PDR	Yes	●	●			●
Malaysia	Yes	●	●			
Myanmar	No					
Philippines	Yes	●	●			● [12]
Singapore	No[2]					
Thailand	Yes	●	●			●
Vietnam	Yes	●	●		●	

[1] Brunei includes listed companies in the legal definitions, although in practice there are no listed companies in the country.

[2] There is no all-encompassing definition of public interest entities that determines the financial reporting or audit requirements. Financial reporting and auditing requirements are determined by the legislation or rules applying to the entity, for example, the Companies Act and the regulations issued by the Monetary Authority of Singapore (MAS) or the Singapore Exchange (SGX).

[12] Public service entities are not automatically PIEs but they become PIEs if they are secondary licensees of the Securities Exchange Commission, as defined by SEC SRC Rule 68

Small and Medium-sized Enterprises (SMEs)

8.10 As with PIEs, there is no internationally accepted definition for what constitutes an SME, and countries use a number of different parameters and thresholds for defining this category of entities. However, there is much more variation in international good practice in defining SMEs, when compared with PIEs. For example, the International Accounting Standards Board (2009), in its International Financial Reporting Standards for SMEs, uses a broad definition with no quantitative criteria:

SMEs are entities that: (a) do not have public accountability, and (b) publish general purpose financial statements for external users. Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.

8.11 As an example of a quantitative definition of SMEs, the European Union (EU) recently revised the size definitions of companies[13] per Table 6. A company must be within two of the three limits in order to be defined within that size category. EU Member States are required to implement these new definitions by 2015.

Table 6: European Union definition of company size

	Micro	Small	Medium	Large
Average number of employees	1 - 10	11 - 50	51 - 250	> 250
Annual turnover	< EUR 700,000	EUR 700,000 - 8 million	EUR 8 - 40 million	> EUR 40 million
Total assets	< EUR 350,000	EUR 350,000 - 4 million	EUR 4 - 20 million	> EUR 20 million

Table 7, below, describes the differing size definitions in ASEAN member countries.

Table 7: Definitions of company size in ASEAN countries

Brunei	No size definition; however, differentiates PIEs from non-PIEs, the former having more stringent requirements. PIEs are financial institutions such as banks, insurance companies, and takaful companies – (an Islamic insurance concept based on a cooperative system of reimbursement). In law, the PIE definition also includes listed companies, but there are no listed companies at present in Brunei.

[13] Directive 2013/34/EU of the European Parliament and of the Council, of 26 June 2013, sets for the new company size definitions

<table>
<tr><td>Cambodia</td><td colspan="2">Exempted companies</td><td>Non-exempted companies</td></tr>
<tr><td></td><td colspan="2">Companies that DO NOT meet two of the criteria given at the right.</td><td>Companies that meet two or more of the following:
• Total assets > 2 billion Riel (≈US$500,000)
• Annual turnover > 3 billion Riel (≈US$750,000)
• Employees > 100
• If a company receives the status of Qualified Investment Project from the Council of Development of Cambodia it is required to have a statutory audit regardless of the preceding criteria.</td></tr>
<tr><td>Indonesia</td><td colspan="3">No size definition; however, differentiates PIEs from non-PIEs, the former having more stringent requirements.
PIEs are financial institutions and listed companies.
To be considered a PIE, the entity should (a) have submitted application for registration or be in the process of submitting registration to the securities commission or other regulators, for the purpose of issuing securities in the capital market; and (b) have assets in their custody in a fiduciary capacity for the public; for example banks, insurance companies, security traders/brokers, pension funds, mutual funds or investment banks.</td></tr>
<tr><td>Lao PDR[14]</td><td>Micro</td><td>Small</td><td>Medium</td></tr>
<tr><td></td><td>Annual turnover < 200 million kip</td><td>Employees < 19, or
Total assets < 250 million kip, or Annual turnover < 400 million kip</td><td>Employees 20-99, or
Total assets: 250m – 1.2 billion kip, or Annual turnover 400m – 1 billion kip</td></tr>
</table>

14 These criteria are to be revised soon by the Ministry of Industry and Commerce and Ministry of Finance

<table>
<tr><td>Malaysia</td><td colspan="2">The definition of an SME according to the Central Bank of Malaysia is:

Manufacturing: - sales turnover not exceeding RM 50 million or full time employees not exceeding 200 workers

Services and other sectors: - sales turnover not exceeding RM20 million or full time employees not exceeding 75 workers

While the differentiation between public and private entities are stated under the Companies Act 1965. Private entities are limited to at most 50 members, and they are subject to restrictions on the transfer of shares. Only public entities can list on the stock exchange, and financial institutions must also be set up as public entities.</td></tr>
<tr><td>Myanmar</td><td colspan="2">No size definition

Public companies and financial institutions are considered PIEs.</td></tr>
<tr><td>Philippines[15]</td><td>SME

• Entities with total assets of between P3 million to P350 million or total liabilities of between P3 million to P250 million. If the entity is a parent company, the said amounts shall be based on the consolidated figures;

• Entities that are not required to file financial statements under Part II of SRC Rule 68;

• Entities that are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; or</td><td>Large/publicly accountable

• Entities with total assets of more than P350 million or total liabilities of more than P250 million;

• Entities that are required to file financial statements under Part II of SRC Rule 68[16] (i.e., issuer of public securities;</td></tr>
</table>

[15] Philippines also define Micro Entities as entities with total assets and liabilities below P3 million;

- Entities that are not required to file financial statements under Part II of SRC Rule 68;
- Entities that are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; or
- Entities that are not holder of secondary license issued by the regulatory agencies.

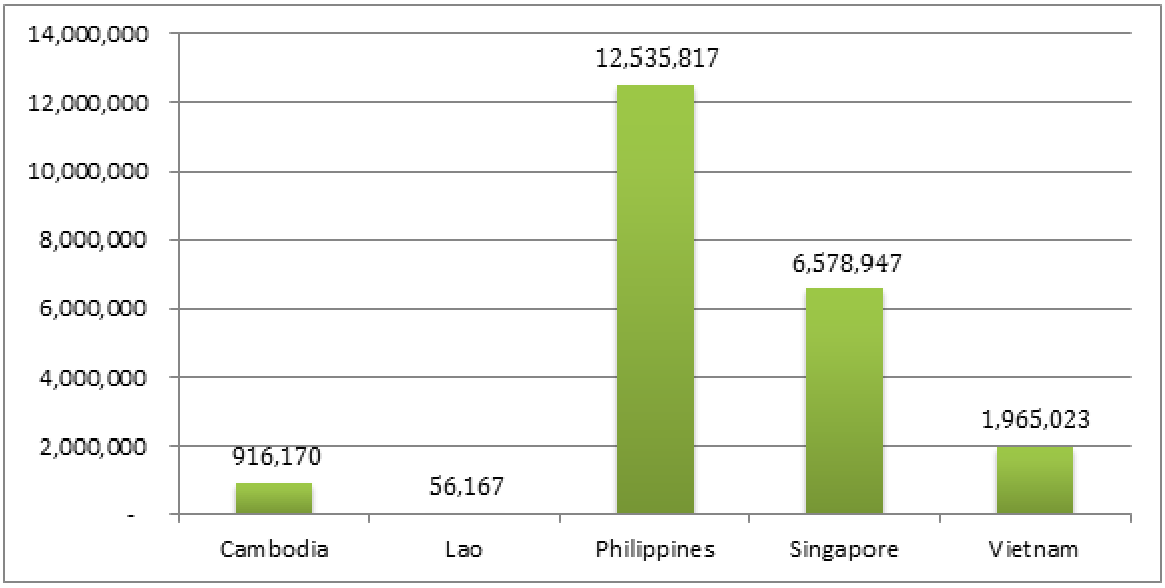
[16] Issuer which have i) sold a class of their securities pursuant to regulation under section 12 of the code ii) with a class of securities listed for trading on an exchange or iii) with assets of at least P50m or such other amount as the commission shall prescribe and has 200 or more holders each holding more than 100 shares of a class of equity securities as of the first day of the issuers fiscal year.

	• Entities that are not holder of secondary license issued by the regulatory agencies.		• Entities that are in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; or • Entities that are holders of secondary licenses issued by regulatory agencies
Singapore	*Small* Companies that meet at least two of the following criteria, and are not publicly accountable: • Total annual revenue of not more than S$10 million • Total gross assets of not more than S$10 million • Total number of employees of not more than 50		*Medium and Large* All other companies
Thailand	No size definition for SMEs but PIEs are defined as listed companies, entities that are in the process of an initial public offering, entities that hold assets in a fiduciary capacity (financial institutions, insurance companies, securities brokers/dealers, mutual funds and Agricultural Futures Exchange of Thailand), and public companies.		
Vietnam (by sector)	*Micro*	*Small*	*Medium*
Agriculture, Forestry, Seafood, Industry and Construction Commerce and Services	<10 employees	Total capital: <20 billion VND Employees: 10-200 Total capital: <10 billion VND Employees: 10-50	Total capital: 20-100 billion VND Employees: 200-300 Total capital: 10-50 billion VND Employees: 50-100

8.12 The responses to the survey questionnaire have disclosed that the definitions of PIEs and SMEs in ASEAN countries vary a great deal. As an illustration of this, Figure 4 below provides a comparison of one of the thresholds used by most countries (total assets), adjusted for purchasing power parity.

Figure 4: Comparison of total asset limits for smaller/exempt companies, PPP adjusted current international dollars

(2011 exchange rate)



* Limits/thresholds used: Cambodia: exempted companies; Lao PDR: Small company; Philippines: SME; Singapore: small company; Vietnam: small company.

Source: Compilation based on Millennium Development Goals Database, United Nations Statistics Division. Indicator used: *Purchasing power parities (PPP) conversion factor, local currency unit to international dollar, year 2011.*

8.13 The above figure is just one illustration of the wide variation that exists. (It is acknowledged that company size definitions are not consistent across countries, nor are total assets the sole indicator used to define company size).

8.14 While it is not necessarily expected that the PIE and SME definitions be fully harmonized across all ASEAN countries, it is evident that a greater degree of alignment of the definitions of PIEs and SMES across the ASEAN countries would be beneficial.

Recommendations

8.15 AFA could consider working with interested stakeholders across ASEAN member countries to facilitate a review of the PIE and SME definitions with a view to achieving a greater degree of harmonization.

Level of differentiation between PIE and SME financial reporting and statutory audit requirements

8.16 As described above, for the most part, ASEAN member countries differentiate between the requirements of PIEs and SMEs. Nine of the ten countries allow for simplified financial reporting standards for SMEs (or non-PIEs), and seven allow an exemption from statutory audits for SMEs (or non-PIEs). More information on the accounting standards used by SMEs can be found in Section 9.

8.17 Table 8 below summarizes the types of relief from financial reporting and statutory audit requirements given to SMEs or non-PIEs for each country.

Table 8: Summary of exemptions for SMEs

A = exemption from statutory audit requirement

S = simplified financial reporting standards

Country	Type	Comments
Brunei	S	PIEs are required to follow IFRS. Non-PIEs follow Brunei-GAAP. All companies registered under the Companies Act must undergo an annual financial statement audit.
Cambodia	A, S	Cambodia does not have discrete categories for SMEs; instead, it sets a size threshold below which companies are exempted from certain requirements (statutory audit). PIEs must follow C-IFRS. Non-exempted companies (large companies) must follow C-IFRS for SMEs.
Indonesia	A, S	SAK (based on IFRS) are required for PIEs. Non-PIEs have the voluntary option to apply SAK or SAK-ETAP (SAK for entities with no significant public accountability). Statutory Audits are required for PIEs and joint-stock companies.

Lao PDR	A, S	LFRS for non-public interest entities (based on IFRS for SMEs) are divided into LFRS for large sized entities and LFRS for SMEs (simplified form of LFRS) are required for small and medium-sized companies. Statutory Audits are required for all limited liability companies above a certain threshold (>50 billion kip in assets, ~USD 6.2 million) in accordance with the Enterprise Law and the new approved Independent Audit Law has further extended the statutory audit requirement to PIEs, large sized enterprises, SOEs and projects with external loans or grants.
Malaysia	S	While Malaysia does not have size thresholds per se for SMEs, there is a differentiation between public and private entities. Private entities are limited to at most 50 members, and they are subject to restrictions on the transfer of shares. Only public entities can list on the stock exchange, and financial institutions must also be set up as public entities. MFRS (equivalent to IFRS) are required for PIEs (including all public entities). PERS locally developed standards apply to private entities. All public and private companies have a mandatory statutory audit requirement regardless of their size, ownership structure or whether they are actively operating.
Myanmar	S	Public companies and financial institutions must apply MFRS, while SMEs apply MFRS for SMEs. The financial statements of the entities must be audited.
Philippines	A, S	PIEs are required to follow PFRS, which in line with full IFRS, with the exception of IFRIC 15 on Agreements for the Construction of Real Estate, which was not adopted in the Philippines. IFRS for SMEs have been adopted for non-PIEs. PIEs and large companies are required to be audited on an annual basis [17].

PIEs and large companies are required to be audited on an annual basis. SMEs are also required to be audited on an annual basis if they meet the following thresholds:

a) Stock corporations with paid-up capital stock of P50,000 or more;

b) Non-stock corporations with total assets of P500,000 or more , or with gross annual receipts of P100,000 or more;

c) Branch offices of non-stock corporations with total assets in the equivalent amount of P1,000,000 or more;

d) Branch offices of stock foreign corporations with assigned capital in the equivalent amount of P1,000,000 or more;

e) Regional operating headquarters of foreign corporations with total revenue in the equivalent amount of P1,000,0000 or more.

Singapore	A	All public and private companies are required to undergo statutory audits except (1) private companies with revenue not greater than a threshold amount set by the Companies Act Cap. 50 and (2) companies that are dormant for the financial year. Sole proprietorships and partnerships are not required to be audited. Small entities are allowed to apply SFRS for Small Entities if they satisfy the following conditions: • They are not publicly accountable • They publish general purpose financial statements for external users • They are small entities.
Thailand	A	Companies that are listed, financial institutions and large joint - stock companies (public limited companies in Thailand) are considered PIEs. PIEs are required to prepare their financial statements under TFRS, which are in line with the 2012 bound volume of IFRS. Non-PIEs follow TFRS for non-PIEs (in Thailand named "TFRS for NPAEs"). All companies with a limitation on liability are required to undergo a statutory audit on an annual basis.
Vietnam	A	All PIEs are subject to an annual statutory audit. All companies are required to apply Vietnam Accounting Standards, (VAS) which are based on a 2001-2003 version of IFRS. SMEs apply 7 VAS in full and some requirements of a further 12 VAS.

The content requirements of general purpose financial statements

8.18 Almost all the ASEAN countries require a full set of financial statements, including a balance sheet, income statement, statement of changes in equity, cash flow statement, and notes to the financial statements for all companies. The exception to this is Vietnam, which requires only a balance sheet and income statement for small and medium enterprises, and only a balance sheet, income statement and cash flow statement for large companies. The full set (including a statement of changes in equity and notes to the financial statements) is only required for regulated entities in Vietnam.

8.19 This requirement for all companies, including the smallest ones, to prepare a full set of general purpose financial statements is very onerous. Policymakers may wish to consider allowing small companies to be exempted from the preparation of certain types of financial statements, or exempting the smallest companies from a general purpose financial reporting requirement altogether, requiring only taxation reporting.

8.20 Differential financial reporting frameworks are commonly used in many developed countries to ensure properly balance public interest considerations with the cost versus benefit of general purpose financial reporting and statutory audit obligations of different entity types. In many ASEAN countries small owner managed organizations represent the vast majority of enterprises and employers in the private sector so it is very important that the correct balance is achieved.

Recommendations

8.21 AFA could consider working together with key stakeholders across the ASEAN countries to develop a differential reporting framework that would achieve a greater degree of harmonization for general purpose financial reporting and statutory audit requirements for different entity types. The framework could then be further adapted by individual countries to suit their individual contexts.

Accounting, Auditing and Financial Reporting by Regulated Entities

8.22 Consistent with international good practice, regulated entities such as financial institutions and listed companies are considered to be PIEs and face more stringent requirements. In all countries, regulated entities are required to prepare a set of financial statements on an annual basis comprising a balance sheet, income statement, statement of changes in equity, cash flow statement, and notes to the financial statements. All listed companies are required to prepare interim financial statements, either on a quarterly or semi-annual basis. All regulated entities are required to undergo an annual independent audit.

8.23 The key areas where there are differences across the ASEAN countries are the:

- requirement to submit their financial statements to a public body (sector regulator);
- deadlines for submission; and
- publication requirements.

8.24 Some countries do not require listed companies to make their financial statements available to the public at all (this is not considered a good practice), whereas most require publication on the website of the relevant regulator.

8.25 Table 9 below summarizes the requirements of regulated entities in ASEAN countries. It focuses only on the areas in which there are differences among countries (e.g. there is no information on the statutory audit requirement because this is a requirement in all countries).

Table 9: Regulated entities: requirements to submit financial statements to a public body / deadline for submission / publication

	Listed companies	Banks	Insurance
Brunei	N.A.	Monetary Authority Brunei Darussalam – AMBD March 31 Newspaper publication	ABMD March 31 No publication
Cambodia	• Securities and Exchange Commission -SECC March 31 • Publication on SECC website and each company's own website	• National Bank of Cambodia – NBC March 31 • Publication on NBC's website and the financial institution's own website	Ministry of Economy and Finance March 31 No publication

Indonesia	Financial Services Authority, FSA (3 months); and Stock Exchange (4 months) Publication in 1 newspaper	FSA (3 months) and Bank of Indonesia (5 months) Publication in 2 newspapers (Banks must also submit their audited financial statements to the Customer Protection Agency, rating agencies and two economic and finance magazines. In addition, a quarterly summary statement should also be published in the newspaper).	FSA (3 months) Publication in 2 newspapers
Lao PDR	Lao Stock Exchange Committee (3 months) Stock Exchange and SEC website publication	Bank of Lao 3 months Publication in National newspaper	Ministry of Finance 3 months Publication in National newspaper
Malaysia	SEC 4 months Must publish on Bursa Malaysia website)	Bank Negara 3 months Must publish in a Bahasa Malaysia and an English newspaper	Companies Commission 3 months Must publish in a Bahasa Malaysia and an English newspaper
Myanmar	Not Information provided		

Philippines	Securities Exchange Commission – requires posting of pertinent information including audited financial information to the publicly listed companies website, per Memorandum circular 11 s2014.	Bangko Sentral requires publication of a quarterly statement of condition, within 21 days from the end of each quarter.	Insurance Commission requires publication of the audited financial statements as reviewed by the commission within 30 days after the said review.
Singapore	Accounting and Corporate Regulatory Authority (ACRA) – within 1 month of AGM, Stock Exchange (60 days) Publication	ACRA (1 month of AGM), Monetary Authority of Singapore, MAS (3 months) Publication 1 newspaper	ACRA (1 month of AGM), Monetary Authority of Singapore, MAS (3 months) Publication
Thailand	Securities Exchange Commission - SEC and Stock Exchange for audited financial statement submission for 60 days after year end Publication 1 newspaper	Bank of Thailand for audited financial statement submission for 4 months after year end Publication 1 newspaper	Insurance Commission For audited financial statements submission 120 days after year end5 Publication 1 newspaper
Vietnam	Securities Commission 90 days	State Bank of Vietnam 90 days	90 days

8.26 There are variations across ASEAN countries in terms of the requirements on regulated entities to submit audited financial statements, the submission deadlines and publication requirements. In practice there is a much wider agenda that needs to be addressed in terms of the monitoring of compliance with financial reporting standards by regulated entities, monitoring of audit quality, collaboration and cooperation between accounting and audit standard setters and regulators (in many lesser developed countries there is very limited cooperation/harmonization and a tendency to operate in silos), and the overall standards of corporate governance for regulated entities.

8.27 In the more developed ASEAN countries there are very good best practice examples of such arrangements while in lesser developed countries there is a huge level of capacity building required. Addressing these areas to ensure there is a higher degree consistency across ASEAN countries will be extremely important in the context of the future development and growth of the ASEAN economic community. Accordingly the opportunities for AFA to make an impact are significant.

Recommendations

8.28 AFA could consider working with other key stakeholders to:

- achieve consistency in the areas of submission of financial statements, submission deadlines and publication requirements;
- develop more robust frameworks for 'lesser developed' countries
    - for monitoring compliance with financial reporting standards
    - for monitoring of audit quality
    - for both regulated and non-regulated entities;
- achieve better harmonization and collaboration between standard setters and regulators; and
- contribute to the overall development of corporate governance standards.

9.0 Accounting Standards and Standard-setting

9.1 All ASEAN countries have aligned their financial reporting standards to some extent with international standards (IFRS). Half have adopted full and current IFRS, as issued by the International Accounting Standards Board (IASB)[18] . Others (Thailand, Vietnam) have adopted earlier version of IFRS as their national standards, but have not issued updates to maintain alignment with full and current IFRS. Still others have issued national standards that are based on IFRS, with certain adaptations (Philippines and Singapore).

9.2 Almost all countries have issued simplified reporting standards for SMEs. Some have issued national standards to this end (Indonesia, Malaysia, Singapore, Thailand), or intend to do so (Brunei). Four countries have adopted IFRS for SMEs (Cambodia, Lao PDR, Myanmar and Philippines). Vietnam has not issued simplified standards for SMEs. Table 10 shows the accounting standards in force, as well as the organization responsible for accounting standard setting, by country.

Table 10: Accounting Standards and Standard Setting in ASEAN countries

	IFRS	IFRS for SMEs	Comments
Brunei	●		• PIEs must apply IFRS for financial statements prepared beginning January 1, 2014. • Other entities follow Brunei GAAP, however these have not been set yet. • Brunei Darussalam Accounting Standard Council (BDASC) is responsible for setting accounting standards. BDASC is also responsible for issuing implementation guidance.

18 Indonesia is progressing with the second phase of its IFRS convergence process. This will mean that the SAK as effective 1 January 2015 will be converged with IFRS as effective 1 January 2014 (a one year gap).

Cambodia	●	●	• Listed companies and insurance companies are required to apply CIFRS (Cambodian International Financial Reporting Standards, equivalent to IFRS) from 2012 onwards. • Banks plan to apply IFRS starting in 2016. Currently, banks use Cambodian Accounting Standards and NCB rules and regulations. • Non-PIEs apply CIFRS for SMEs from 2010 onwards. • The translation of CIFRS is currently in process by the National Accounting Council. The Khmer version of CIFRS for SMEs is available. • The National Accounting Council is responsible for setting standards and issuing implementation guidance; however, no guidance has been issued yet.
Indonesia	○		• PIEs must apply Indonesian Financial Accounting Standards (SAK), which are an adaptation of the 2009 version of IFRS. All 2009 IFRSs were adopted except IAS 1 First Time Adoption, IAS 41 Agriculture and IFRIC 15 Agreements for the Construction of Real Estate. SAK also includes some of local standards, e.g., on Insurance (PSAK 28 and 36), Business combinations under Common Control (PSAK 38), and Not-for-profit organizations (PSAK 45). Effective 1 January 2015 SAK will be substantially converged with IFRS as effective 1 January 2014. • Non-PIEs have a separate set of standards (SAK ETAP) • Entities that have Shariah transactions must also apply a specific set of standards (SAK-Syariah) • Financial Accounting Standard Boards-Indonesian Institute of Accountants (DSAK-IAI) is the standard setting body

			• Together with DSAK-IAI, within IAI there is also the SAK Implementation Team to facilitate the implementation of financial reporting standards (SAK) in Indonesia. • DSAK-IAI has established a process for convergence of the local standards with IFRS. The process involves, among other things, an analysis paper and an exposure draft that are prepared by the Board and its staff, and includes interactions with stakeholders in Indonesia to capture comments from regulators, industries, and related institutions (through a public hearing or limited hearing).
Lao PDR	●	●	• Listed companies must apply IFRS beginning in 2015 • Large companies can apply LFRS (adapted from IFRS for SMEs) beginning in 2015 • Small and medium companies apply LFRS for SMEs, a simplified form of LFRS for large sized entities, beginning in 2015 • IFRS have not yet been translated. Bank of Lao PDR may do this. • IFRS for SMEs are translated by the Accounting Department of the Ministry of Finance. • Accounting Department of the Ministry of Finance is responsible for setting accounting regulations and standards. The standard setting process includes the development and publication of a discussion paper or an exposure draft with a comment period prior to adoption or issuance of a standard.

Malaysia	●		• Listed companies, banks, and insurance companies must apply Malaysian Financial Reporting Standards (MFRS), a word-for-word equivalent of IFRS. Banks and insurance companies must also abide by regulations of the Central Bank • Private entities must apply Private Entity Reporting Standards (PERS) • MASB (Malaysian Accounting Standards Board) sets PERS, MFRS and FRS. • The standard setting process includes the development and publication of a discussion paper or an exposure draft with a comment period prior to adoption or issuance of a standard. • MIA (Malaysian Institute of Accountants) has set up a Financial Reporting Standards Implementation Committee (FRSIC) to facilitate the implementation of financial reporting standards in Malaysia
Myanmar	●	●	• Public companies and financial institutions are required to apply MFRS (Myanmar Financial Reporting Standards, which are a word-for-word equivalent of IFRS) • SMEs must apply MFRS for SMEs (word-for-word equivalent of IFRS for SMEs) • Neither IFRS nor IFRS for SMEs are translated into the local language
Philippines		●	• Large and/or Public Accountable Entities apply Philippine Financial Reporting Standards (PFRS). The PFRS are substantially converged with IFRS.[19].

[19] PwC's gap assessment confirms they are substantially consistent but sets out 7 areas of difference.

			• PFRS is adopted by the Philippine Financial Reporting Standards Council (FRSC) from International Financial Reporting Standards issued by IASB. • IFRS for SME are adopted as PFRS for SMEs. • SEC, FRSC and Philippine Interpretations Committee of the FRSC issue the implementing guidance on the financial reporting standards.
Singapore	○		• Companies—except small companies—must apply Singapore Financial Reporting Standards (SFRS) which are substantially the same as International Financial Reporting Standards (IFRS) – the PwC publication – "A practical guide to New Singapore Financial Reporting standards for 2013" provides an analysis of the differences as at 31 august 2013. • IFRS is permitted if (i) the company is also listed on another stock exchange outside of Singapore and that exchange requires IFRS financial statements; or (ii) an exemption is granted by the Authority. • As announced in May 2014, Singapore-incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards in 2018. • Small companies apply SFRS for Small Entities. • IFRS for SMEs have not been adopted. • The Accounting Standards Council (ASC) is the accounting standards setter in Singapore. • The accounting standard setting process includes the issuance of an equivalent exposure draft to the one issued by the International Accounting Standards Board (IASB) with a comment period of usually one month. The comments received are reviewed and a summary feedback comment letter is sent to IASB. Once IASB issues the final standard, ASC reviews it and considers adoption of the standard in full or with modifications.

			• ASC and the Institute of Singapore Chartered Accountants (ISCA) issue implementation guidance for local accounting standards.
Thailand	O		• The current version of Thai Financial Reporting Standards (TFRSs) is prepared in accordance with the 2012 edition of the bound volume of the International Financial Reporting Standards (IFRSs) which became effective for annual financial reporting periods beginning on or after January 1, 2014. • Non Publicly Accountable Entities (NPAEs) have to prepare financial statements in accordance with Thai Financial Reporting Standards for Non Publicly Accountable Entities (TFRSs for NPAEs). • Thai Accounting Standards Setting Committee (TASSC) conducts the translation and is responsible for issuing TFRS. Presently TASSC is in the process of considering potential adoption of IFRS for SMEs.
Vietnam	O		• Vietnam has not adopted IFRS, but uses IFRS as a basis for developing Vietnam Accounting Standards (VAS). • VAS are based on 2001-2003 bound volumes of IFRS. Amendments have not yet been issued to update VAS in accordance with full and current IFRS but this is underway. • IFRS for SMEs have not been adopted. • IFRS are translated into Vietnamese by the Ministry of Finance. • The standard setting process includes the development and publication of a discussion paper or an exposure draft with a comment period prior to adoption or issuance of a standard. • Ministry of Finance issue implementation guidance for accounting standards

9.3 In practice, implementation of IFRS (even where countries have adopted earlier versions) or simplified versions is quite weak in all except the more developed countries (Singapore, Malaysia, Philippines, Thailand). Language and capacity constraints (including ineffective/under resourced PAOs and regulators) in lesser developed countries mean that these countries will struggle to achieve full implementation and compliance with the standards adopted without significant capacity development and support over the medium term. There is significant work required to ensure that there are sustainable mechanisms put in place to:

- translate and issue the standards and then keep them up to date as new standards are issued;
- coordinate training (particularly for existing accountants many of whom do not have university qualifications or internationally recognized accounting qualifications); and
- monitor compliance with the standards adopted.

9.4 The fact that some ASEAN countries have chosen to adopt earlier versions or substantially modified versions of the international accounting standards is unfortunate. This will potentially negate the substantial benefits of consistency and comparability offered by the adoption and implementation of the international standards. In the context of the establishment of the ASEAN economic community and the broader harmonization agenda this is also unhelpful.

9.5 It was beyond the scope of this study to assess the level of simplification of SME standards, as compared to their "full" counterparts. However, such an assessment, possibly with a view to the further alignment (as discussed above in relation to the definition of SMEs, and the need for a differential reporting framework) would be beneficial.

SMEs in the lesser developed countries given the preparation cost and Recommendations

9.6 AFA could consider:

- coordinating regional capacity building in each of these areas particularly focused on facilitating access to technical knowledge, expertise and implementation experience from within its members and associate members.
- use its convening power and influence with its members to persuade them of the benefits of adopting international standards with minimal amendments.
- conduct an assessment of simplified accounting standards currently adopted and in the medium term coordinate the development of a common set of ASEAN accounting standards for SMEs. (Such standards could take into account the ASEAN context and the fact that IFRS for SMEs, without further simplification is too onerous for most capacity constraints).

10.0 Auditing requirements, standards adopted, and standard-setting

10.1 All countries require their PIEs (primarily financial institutions and listed companies) to have their annual financial statements subject to a statutory audit.

10.2 Table 11 summarizes the audit requirements for ASEAN member countries based on the responses to the survey questionnaire.

Table 11: Statutory Audit requirements, standards, and standard-setting

	Scope of Statutory Annual Audit Requirement	ISA	Comments
Brunei	• Banks • Insurance companies • All registered companies	○	• There are no legally required auditing standards; however, BICPA recommends that International Standards on Auditing (ISA) be applied by auditors • ISA have not been translated into the local language (however English is widely used as the language of business in the country) • Implementation guidance for ISA is not provided.
Cambodia	• Listed companies • Banks • Insurance companies • Non-exempted companies	●	• Auditing standards are Cambodian International Standards on Auditing (CISA) which are the same as ISA. • Auditing standards have not been translated into the local language. • The National Accounting Council is a body responsible for determining the auditing standards • Implementation guidance for CISA has not been issued.

Indonesia	• Listed companies • Banks • Insurance companies • Joint-stock companies	○	• ISA are adopted as Indonesian Public Accounting Professional Standards (SPAP) and are fully consistent. • IAPI (Indonesian Institute of CPAs) translates ISA into the local language. • IAPI also provides implementation guidance for auditing standards.
Lao PDR	• Listed companies • Banks • Insurance companies • Limited companies with >50 billion Kip in assets	○	• Article 29 of the new Independent Audit Law states that the Ministry of Finance would promulgate professional standards in line with International Standards issued by the IAASB and regulations of Lao PDR on a regular basis. • Translation of ISA is not yet available but is expected to be translated by MoF with the support of Big four audit firms
Malaysia	• Listed companies • Banks • Insurance companies • All companies with a limitation on liability	●	• ISA are adopted as Malaysian Approved Standards on Auditing (MASA). • No translation is necessary as the local standards are published in the English language • Auditing Standards Setter is MIA.
Myanmar	• Listed companies • Banks • Insurance companies • All registered companies	●	• ISA are adopted as Myanmar Standards on Auditing (MSA) • MSA are issued in English and have not been translated to the local language. • Myanmar Accountancy Council (MAC) is the auditing standards setter. • MAC is responsible for issuing implementation guidance for MSA

Philippines	• Listed companies • Banks • Insurance companies • Stock corporations, non-stock corporations, branch offices, & regional operating headquarters	●	• ISA are adopted as Philippine Standards on Auditing. • The only difference between ISA and PSA are some footnotes in the latter to provide guidance for local adoption of certain provisions. • Philippine Auditing and Assurance Council (AASC) is the auditing standard setter
Singapore	• Listed companies • Banks • Insurance companies • Medium and large companies	●	• ISA are adopted as Singapore Standards on Auditing (SSA). The only differences between the two pertain to statutory language on reporting requirements). • Auditing standard setter is the Accounting and Corporate Regulatory Authority (ACRA), which is assisted by the national accountancy body, Institute of Singapore Chartered (ISCA). • ISCA issues implementation guidance for local auditing standards
Thailand	• Listed companies • Banks • Insurance companies • All companies with a limitation on liability, regardless of size • Limited partnership with capital > 5 million Baht, Total Assets or Total Revenue > 30 million Baht.	●	• All companies must be audited. There is an exemption for small limited partnerships only. • Thai Standards on Auditing were translated from International Standards on Auditing (ISAs) by the Federation of Accounting Professions (FAP) with no modifications. • FAP has direct responsibility for setting and promoting the adoption and implementation of Standards on Auditing in Thailand. • FAP issues implementation guidance for auditing standards.

Vietnam	• Listed companies • Banks • Insurance companies • Large companies	O	• Vietnam Standards on Auditing (VSA) are closely aligned with ISA. • ISA are translated into Vietnamese by VACPA. • VACPA draft VSA and submit them to MOF for review and issuance.

10.3 Several ASEAN countries have extended the statutory audit requirement to all companies, or have set the exemption threshold quite low (Brunei, Malaysia, Myanmar, Thailand).

10.4 A statutory audit requirement that is too broad can result in a watering down of audit quality (or worse result in a two-tier level of audit quality), as regulators are unlikely to be able to effectively monitor and enforce the audit requirements adequately for such a large universe of companies.

10.5 The benefits of requiring a statutory audit for non-PIEs must be weighed against the cost of doing so. Experience has shown that small audit firms struggle to conduct an audit that fully complies with International Standards on Auditing and the International Standard on Quality Control (ISQC1). This means that a good quality audit can be costly exercise and therefore the requirement to have a full annual statutory audit for smaller companies could be seen as a barrier to doing business in the formal sector.

10.6 All ASEAN countries have adopted or are in the process of adopting International Standards on Auditing. In several countries ISAs have been adopted but they have not been translated into the local language. This is very problematic where English is not the common language of business[20]. In addition, some countries have not issued any interpretations or guidance on how to implement the standards in their local jurisdiction.

Recommendations

10.7 AFA could consider:

- facilitating a review of the statutory audit requirements in conjunction with the work on the definitions of PIEs and SMEs and development of a consistent differential reporting framework as discussed above; and
- coordinating the development of sustainable mechanisms for 'lesser developed' countries for:
  - the translation and issuance of the ISAs along with the associated interpretations and guidance material and keep this up to date as new material is issued; and
  - the conduct of training on a regional basis on implementation of the standards.

[20] The official business language of the ASEAN Economic Community will be English. However, the fact is that language differences will mean that translation will be required in a number of countries to ensure understanding by stakeholders and for education and training purposes.

11.0 Audit Regulation, Quality Assurance and Public Oversight

11.1 The first of IFAC's 7 Statements of Membership Obligations (SMOs) deals with Quality Assurance, stipulating that a mandatory quality assurance review program should be in place for, at a minimum, those of its members performing audits of financial statements of listed companies.

11.2 The purpose of the quality assurance review is to determine to what extent auditors have adhered to professional standards (including standards on auditing and ethics), as well as regulatory and legal requirements in performing their work. To this end, some countries have put in place a peer review process, through which one auditor reviews the work of another, usually under the auspices of the PAO. In other countries, a dedicated quality assurance unit has been created (most commonly within the PAO or the financial sector regulator), whereby inspectors carry out reviews of auditors and firms.

11.3 Furthermore, many countries, including Singapore, Malaysia, Indonesia, Member States of European Union and the United States, have established independent and/or public bodies to oversee the quality assurance process, particularly for those auditors who are involved in statutory audits of public interest entities. In 2006, the International Forum of Independent Audit Regulators (IFIAR) was established, which brings together the leading audit oversight bodies around the world. Three ASEAN oversight bodies (from Indonesia, Malaysia and Singapore) are represented in IFIAR.

11.4 Table 12 summarizes the quality assurance and oversight systems in ASEAN countries based on responses to the survey questionnaire.

Table 12: Quality assurance and oversight in ASEAN

	Quality Assurance	Oversight	IFIAR member	Comments
Brunei		✓		• A quality assurance system is planned for 2014. • Public Accountant Oversight Committee (PAOC) is the oversight body. All audits are under its purview. It is accountable to the Authority (i.e. the Minister or Permanent Secretary).

				• The PAOC may impose the following sanctions for noncompliance: Refuse renewal of registration; Suspension not exceeding 2 years; Cancel registration.
Cambodia	✓			• Adopted the full International Standards on Quality Control in 2010 • Monitoring of compliance with the standards is the responsibility of the Quality Control Committee of KICPAA. Certain committee members are from the Governing Council of KICPAA. • A set of questionnaires for assessing compliance with ISQC1 were developed in 2011. • In 2012 a number of accounting firms were selected for pilot testing. The results of the reviews were formally communicated to those firms in July 2012. • A new Quality Control Committee is in the process of being established in 2014 and this will be responsible for ongoing monitoring of compliance with ISQC1 in future.

Indonesia	✓[21]	✓	✓	• PPJAP (Center for Supervision of Accountants and Appraisers Services – a unit of MOF) is the oversight body for auditors of listed companies. • Specific quality reviews are also performed by the Financial Services Authority and the Supreme Audit Board. • Sanctions for noncompliance include reprimands, suspensions, and termination of an audit license.
Lao PDR				• A quality assurance system is to be established under the new Independent Audit Law.
Malaysia	✓	✓	✓	• MIA Practice Review Program (reviews auditors of non-PIEs) has been in place since 2005. It uses a risk based approach to select auditors for inspection, and also takes referrals from other regulatory bodies or committees of MIA.

[21] QA activities performed by PPAJP are mainly performed for monitoring and supervisory purposes. The focus of the activities is the working papers related to audit engagements done by the public accountants who are being examined, whether or not they support the engagements and comply with the professional (auditing and accounting) standards.

The activities performed by IAPI are mainly done for constructive development purposes on the quality of the audit engagement system performed by members of IAPI. The QA activities are focused on the design and implementation of quality assurance guidance developed by each member's firm. The audit engagement's working papers are reviewed, on a sample basis, to see their level of implementation of the QA guidance (Quality Assurance Standards (SPM)) established by the firm.

Based on the Capital Market Law No 8/1995, specific to IAPI members who have performed audit engagements for listed companies, those members are also subject to be QA reviewed by the Financial Services Authority (previously Capital Market and Financial Institution Supervisory Agency (BAPEPAM & LK).

Likewise, the Supreme Audit Board (BPK) has been given an authority by the State Finance Law No. 17/2003 and by the BPK Regulation No. 1/2008, to review the work performed by IAPI members if those members conduct audit engagements, on behalf of BPK, on public sector entities (state-owned enterprises for instance).

				• Audit Oversight Board (AOB) reviews auditors of PIEs. It is accountable to the Securities Commission. Sanctions include reprimands, prohibiting the registered auditor from accepting any new public interest entity clients, fines up to RM500,000, or revoking or suspending the registration of an auditor.
Myanmar	No Information Provided			
Philippines	✓	✓		• Board of Accountancy is responsible for Quality Assurance, which has entered into a Memorandum of Agreement with PICPA to conduct the QA function. (There is an ongoing court case that has resulted in a court injunction which has deferred the MOA. PICPA is currently in mediation with the plaintiffs and is in the process of implementing a voluntary QA program until this matter is resolved). • Board of Accountancy is mandated by law to institute quality review of audits done by CPAs and therefore for public oversight of all audits. It is accountable to the Professional Regulation Commission.

Singapore	✓	✓	✓	• Practice Monitoring Programme (PMP) is conducted by the Accounting and Corporate Regulatory Authority (ACRA) using a risk based approach. • ACRA staff members inspect public accountants that audit PIEs; ISCA staff inspect other public accountants • Sanctions include: suspension up to 2 years; undergo remedial programs; or be required to take other steps to improve his/her practice
Thailand	✓	✓		• Audit firms (including sole practitioners) are required to establish systems of quality control by January 2014, the effective date of TSQC 1. FAP will conduct reviews of auditors of non-listed companies starting in 2014. • SEC is already carrying out reviews of auditors of listed companies. • Accounting Professions Supervising Committee (APSC) was established to supervise the accounting profession. • FAP is pursuing a joint study with the ASPC to explore setting up an independent audit oversight body for all audits (including PIEs).

Vietnam	✓	Under develop ment		• AAPD, a department of the MOF is responsible for quality assurance. They have delegated this task to VACPA and VAA, which performs Quality Assurance annually. The primary focus is on auditors of listed companies, although they also review auditors of non-listed companies. The Quality Assurance regime is currently undergoing a full review.

11.5 In ASEAN, not all countries have established systems of quality assurance or public oversight for the audit profession, and there seems to be a large variation in the systems in place across the region. This is an area in which harmonization and cooperation could be of great benefit. For example, rather than having separate systems of quality assurance and oversight, ASEAN member countries could in the longer term consider establishing a common institution for this purpose.

11.6 In the shorter term there would be substantial benefits for if quality reviews were coordinated at a regional level, particularly for resource-constrained countries, or those with smaller audit professions. Through such a mechanism, quality assurance reviewers from one country could assess auditors of peer countries and vice-versa. These countries could also work together to establish a common oversight body.[22] This could potentially have a number of advantages. Firstly, it would lower the cost of implementing a robust quality assurance system, as fixed costs could be shared among several countries. Secondly, many countries have capacity constraints, with few professionals who have the expertise and experience to carry out these type of reviews. Cooperation with other countries would alleviate this problem. Finally, some countries with small professions face difficulties in identifying sufficiently independent professionals to serve as reviewers, as the number of auditors tend to be quite limited, and therefore objectivity and independence can be difficult to achieve.

Recommendations

11.7 AFA could consider facilitating the establishment of a robust audit quality assurance mechanism particularly for the lesser developed countries.

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[22] In the Caribbean countries the Regional Accountancy Body ICAC has facilitated the use of ACCA to conduct audit quality assurance reviews. ACCA were prepared to do this on the basis that they had a substantial number of their members conducting audits in these countries.

12.0 Public Sector Financial Reporting and Audit

[Not enough information/comparable information to compare the public bodies required to apply PSA, need more clarifications]

12.1 The Financial Reporting and Auditing Standards applied in the Public Sector by ASEAN countries based on responses to the survey questionnaire are summarized in Table 13 below.

Table 13: Public Sector Accounting and Auditing Standards

	IPSAS	Bodies required to apply Public Sector Accounting Standards	Audit Standards	Comments
Brunei		N/A	INTOSAI	• No specific accounting standards for the public sector. • IPSAS not adopted. • No translation of IPSAS • INTOSAI standards are mandated for public sector audits; ISA used for statutory bodies that undergo external audit
Cambodia	OC	All public entities at the central and local levels but excluding SOEs	National Audit Standards	• MEF have announced intent to adopt cash based IPSAS and National Treasury has begun implementation. • National Treasury is responsible for translating IPSAS into local language • National Audit Authority (SAI) sets public sector auditing standards and have plans to align with the ISSAIs but there is no agreed timeframe for this.

Indonesia		Ministries and government institutions, local governments, statutory bodies and related governmental entities	State Financial Audit Standards (SPKN)	• Government Accounting Standards (SAP) are used. • IPSAS has not been adopted or translated. Although no comprehensive review has been completed some SAP have been converged with IPSAS. • A full accrual basis for Public Sector Accounting will be implemented in 2015.
Lao PDR	●C	All budgetary entities are reporting entities. This includes SOEs and other bodies that are required to submit financial information to the National Treasury for preparation of the Consolidated Financial Statements.	None	• Adopted cash basis IPSAS under the amended Accounting Law 2013. The implementation of the standard is proposed to start in October 2015 but this is dependent on training which will need to be delivery across the whole country. • MOF plans to translate IPSAS to the local language. • Audit standards for the public sector have not been developed yet and the State Audit Organization has this responsibility.

Malaysia	● A	Federal, state, and local governments; statutory bodies and related governmental entities (e.g. agencies, boards, commissions and enterprises).	INTOSAI	• Malaysian Public Sector Accounting Standards (MPSAS) effective from 1 January 2017 (to be early adopted in 2015). • These are equivalent to accrual basis IPSAS • INTOSAI standard for the government departments • MASA is used for some statutory bodies and SOEs
Myanmar		Not Clear	MAC guidelines	• Currently use GAAP for the public sector • Planning to adopt IPSAS Cash Basis • MAC (Myanmar Accountancy Council)-issued audit guidelines and instructions are used by the public sector.
Philippines	○ MA	• Government ies, strumentalities and local government units follow PGAS • Government Owned and Controlled Corporations use PFRS.	Philippine Public Sector Standards on Auditing, aligned with INTOSAI	• Philippine Government Accounting Standards (PGAS) • Government started the process to adopt IPSAS in 2013 (Modified Accrual Basis), and has harmonized 28 PGAS. . • Philippine Public Sector Standards on Auditing are aligned with international standards. These standards are applicable to all public sector entities[24].

Singapore		Statutory bodies i.e. entities created by an Act of Parliament to carry out Government-related functions.	None	• Singapore Public Sector Accounting Standards, established by the Accountant-General's Department • Public sector auditing standards are not mandated in statute • Singapore Standards on Auditing (SSA) are used in practice
Thailand		National and sub-national government bodies, government agencies	Generally-Accepted Auditing Standards	• Thailand SAI mandates the use of a set of auditing standards for the public sector • Comptroller General's Department (CGD) plans to prepare Thai Accounting Standards for Government Sector in accordance with accrual-basis IPSASs. CGD plans to translate IPSASs into Thai. • Generally Accepted Auditing Standards are being used; however, as a member of INTOSAI, Office of the Auditor General considers applying ISSAIs guidelines in auditing all types of public sector entities.

Vietnam	MA	Still being determined	State Audit Standards	• Vietnam does not have specific public sector accounting standards. It does have accounting policies for different sectors within the public sector. • IPSAS has been translated into Vietnamese by the Ministry of Finance • Vietnam has 21 audit standards for the public sector, called State Audit Standards. State Audit Standards are issued by the State Audit Office of Vietnam (SAV). The intention is to fully align with the ISSAIs.

*C = Cash basis IPSAS, A = full accruals, MA = modified accruals

12.2 There is a great deal of variation among ASEAN countries in public sector accounting standards. Half have either adopted (Lao PDR, Cambodia-cash basis, Malaysia-accruals basis), are in the process of adopting (Philippines, Vietnam-modified accruals basis), or are planning to adopt IPSAS (Myanmar, and Thailand). Indonesia and Singapore have their own public sector accounting standards and Brunei does not have accounting standards for the public sector.

12.3 With regard to public sector auditing standards, three countries have adopted INTOSAI standards (Brunei, Malaysia) or have aligned their local standards with INTOSAI's (Philippines). Cambodia, Indonesia, Myanmar, Lao PDR, Thailand and Vietnam have developed their own public sector auditing standards (all these countries are currently in the early stages of aligning the standards and practices with ISSAIs) while Singapore do not have specific auditing standards for the public sector.

12.4 All SAIs in ASEAN member countries have varying degrees of independence as defined by the principles under the Mexico declaration. The concept of what constitutes SAI independence is not very well understood by many key stakeholders within the ASEAN public sectors.

Table 13: Additional information on public sector financial reporting and audit (which has been based on the responses to the survey questionnaire)

	Scope of Consolidation	Scope of SAI Audit	Comments
Brunei	No information provided	No information provided	• Auditor General Office is SAI an independent entity
Cambodia	Do not consolidate but working on it	• All public sector entities. • SOEs	• SAI is National Audit Authority, an independent entity that reports to National Assembly and Senate. • SAI does not currently outsource audits to private firms. A study in this regard is underway. • The Consolidated Financial Statements are called 'Budget Settlement Statement' which is required to be table in the Parliament and audited by the National Audit Authority. Generally, the Budget Settlement Statement is tabled in the Parliament 9 months after the balance sheet date.
Indonesia	• Central level consolidation (Ministries/ Central Government Institutions, Government Agencies, statutory bodies, SOEs owned by Central Government.	• Central and local government reports • SOEs	• SAI is the Audit Board of the Republic of Indonesia (BPK RI), an independent entity • Consolidated Financial Statements must be tabled in Parliament within 6 months of the fiscal year end.

	• No consolidation between Central and Local Government Financial Reports		• BPK RI may outsource audits to private firms to perform any audit procedures on any entity as required.
Lao PDR	• Currently, a report on the consolidated execution of the State budget is prepared by the MoF. • Once they've adopted IPSAS-cash basis, consolidated financial statements will be prepared. All budgetary entities are included as explained above.	• State organizations, Lao national construction front organization, mass organizations and other entities that control and use state budget, funds or assets • Political and social organizations using state budget • Military entities • Public projects using local budget, loans, investments participation or external loans or grants • State commercial banks, SOEs, joint venture enterprises and public enterprises.	• SAI is the State Audit Organization; it is an independent entity supervised by the National Assembly • Reports on consolidated execution of the state budget are tabled in the National Assembly 15 days prior to the opening of the National Assembly session. • Before that the MOF must submit by March 31 a report to the Government for consideration and approval following the audit and certification by the SAI. • SAI does not outsource audits to the private sector
Malaysia	• Federal Government only. • No consolidation of state, local government or statutory bodies or SOEs.	• SAI audits financial statements of federal, state and local governments. • SAI audits SOEs	• SAI is the National Audit Department (NAD), an independent entity. The Auditor General reports to the King.

			• Financial statements of federal, state, local government or statutory bodies must be tabled in Parliament within 7 months of the close of the financial year. The Minister of Finance must prepare and submit the statement to the Auditor General, who shall prepare a report on it. • SAI may outsource to private sector firms the financial audits of statutory bodies, government companies and local authorities.
Myanmar	No information provided	• All public sector entities are required to prepare financial statements. The OAGU's mandate covers all public sector entities except Ministry of Defense. • SOEs	• SAI is Office of the Auditor General of the Union (OAGU), an independent entity • Consolidated financial statements are tabled in Parliament, but no deadline is specified. • SAI does not outsource to private audit firms.

Philippines	The Government Reporting Entity all public entities but excludes Local Government Units and State Owned Enterprises.	• COA audits the financial statements of all the public sector entities; COA's mandate covers all these entities. • SOEs	• SAI is the Commission on Audit (COA), an independent entity under the Constitution. • Consolidated Financial Statements are not tabled in Congress but submitted to Congress by end- September of the following year. • SAI does not outsource to private audit firms.
Singapore	Government Reporting Entity comprises all ministries, departments and organs of state	• AGO audits consolidated financial statements • AGO may audit an SOE wholly-owned by the government if so directed by the Minister of Finance.	• SAI is Auditor-General's Office (AGO), an independent entity There are currently no consolidated financial statements for the whole of Government[25]. Government Financial Statements must be submitted for audit within seven months of the balance sheet date. In practice, the target is to present the audited statements to Parliament within three months of the balance sheet date • SAI does not outsource to private audit firms.

[25] CoA's intention is to consolidate the financial statements of NGAs, GOCCs and LGUs to come up with whole of government financial statements. They are still studying the feasibility of this talking into consideration the accounting standards and the different charts of accounts being used. The financial statements of the NGAs , LGUs and those GOCCs not regarded as Government Business Enterprises (GBEs) are IPSAS based while the GBEs are IFRS compliant.

Thailand	Consolidated Financial Statements exclude the Financial Statements of Local Administrative Organizations.	• SAI audits the Consolidated Financial Statements of Government • Audits individual financial statements of central, provincial, local government departments, agencies, all agencies or undertakings that receive subsidies from the State, and SOEs	• SAI is the Office of the Auditor General, an independent entity • Consolidated Financial Statements must be tabled in Parliament by the Comptroller General's Department as soon as they are completely audited by the Office of the Auditor General. • SAI does not outsource to private audit firms.
Vietnam	Still being determined	New Audit law will extend the SAV mandate to cover a range of entities including SOEs	• SAI is the State Audit Office of Vietnam • Vietnam government submits financial statements to National Assembly for adoption. • SAI does not currently outsource to private audit firms.

12.5 As pointed out in the PAO Global Development Report many PAOs do not have a mandate or any authority over the public sector and the focus of what they currently do is more focused on the private sector. Often PAOs do not have well developed relationships with public sector counterparts responsible for financial management, accounting standards and audit standards (even though in some instances work within the core public sector). This perhaps explains the relatively poor quality and comparability of the information provided in the responses to the survey questionnaire for the public sector.

12.6 There are huge opportunities available for AFA, its members PAO and through collaboration with other regional organization (ASEANSAI and CAPA) to get involved in the public financial management reform agenda. The capacity building requirements are enormous and the PAOs have the opportunity make a significant contribution to improved financial management in the public sector (budgeting, financial reporting, auditing and oversight) and thereby improve governance, accountability and transparency. At the same time there is potentially a largely untapped PAO membership base in many ASEAN countries.

Recommendations

12.7 AFA needs to consider the future role it (and its members) wishes to play in terms of the public financial management reform agenda and the capacity building required. There are large synergies to be had from developing one overall framework for the accounting and auditing across both the private and public sectors which has been made possible by the convergence of the international standards. Development partners are likely to be very receptive to initiatives in this area.

13.0 Summary of Recommendations

Role of Regional Accountancy Organizations

- AFA is clearly already a key regional organization but needs to obtain official recognition and acknowledgment from IFAC as a matter of priority.
- As part of AFA's strategy development process it needs to further consider its mandate, the future role it wants to play in development of the ASEAN accountancy profession. Many of the recommendations in this report may raise concerns over national sovereignty issues so it will be very important that full consensus is reached on AFA's mandate and future role by all members.
- Based on what is decided about the mandate and role AFA will then need identify its own organizational capacity development needs. AFA will need to consider its future organizational structure (e.g. permanent secretariat with full time staff?), access to technical capacity (seconded from AFA members versus permanent staff or consultants), sustainability and the financial resources it will need (members contributions versus development partner support). All these aspects will have an impact on AFA's ability to present a coherent and convincing proposal that demonstrates its commitment to achieving sustainable results which will be the primary focus of development partners.
- AFA should play a key role in assisting its member PAOs to raise the profile of the accountancy and auditing profession in their national jurisdictions including explaining to the PAOs role and mandate particularly in relation to the public sector which is often misunderstood or not even recognized.

National Professional Accountancy Organizations

- AFA should consider taking greater advantage of the fact that it has very well developed PAOs within its membership and take an active role in coordinating and facilitating mentoring arrangements for those PAOs that are in the early stages of their development. A useful approach may well be to cooperate with CAPA and potentially use the 'PAO maturity model' to ensure a comprehensive assessment is completed and that a properly tailored approach is taken to their development based on each PAO's local context.

Accounting Education

- AFA could commission a review of the quality of the university accounting education opportunities available across the ASEAN countries and the degree to which the current degree courses offered by national universities are aligned with IES requirements. International Education Standard 2, Content of Professional Accounting Education Programs, could be utilized as a benchmark for such an exercise. It is recognized that this would be a major undertaking and therefore would likely need to be undertaken in stages to ensure it does not become unwieldy.
- Using the findings from the above review AFA should consider the coordination of the development of a common core accounting curriculum for ASEAN countries (as well as study materials), in order to ensure that accounting students have mastered a core set of academic and professional competencies upon graduation. The common core curriculum could then be utilized across ASEAN countries, with adaptations to ensure adequate coverage of local considerations and legislation.
- Such an exercise should be carried out in close cooperation with PAOs, as well as with the public sector and business community (who will hire many of the graduates).

Entry Requirements for Professional Accountants and Continuing Professional Development

- AFA should consider providing coordination, facilitation and oversight of the three IES entry requirements in the following areas;

  vii) collaborative arrangements between Universities in terms capacity building for academic staff, implementation of adequate accounting curricula and potentially joint degree programs;

  viii) the implementation of a common standard for practical experience requirements, mentoring arrangements and the monitoring of achievements based on IFAC requirements;

  ix) opportunities for graduates to obtain appropriate practical experience and accreditation of training organizations;

[25] Under a World Bank IDF Grant CAPA is currently developing a CPD toolkit to assist PAOs

x) the establishment of a common standard for CPD, coordination of regional CPD opportunities and the monitoring of CPD requirement compliance[26] ;

xi) the establishment of a common ASEAN qualifying examination and managing the qualifying examination setting process; and

xii) oversight of the administration and marking of the qualifying examination to ensure consistent quality standards are achieved.

- In the longer term, a further potential option for AFA's consideration would be the establishment a common ASEAN accounting qualification that complies with IES, which could be administered in all ASEAN countries by the respective PAOs with oversight and quality control provided by AFA.

Professional Independence and Ethics Requirements

- AFA should consider commissioning a review of the degree of alignment of its member countries codes of ethics with the IFAC code of ethics including the audit rotation requirements with a view to achieving an increased level of harmonization across the ASEAN countries.
- AFA should consider facilitating increased harmonization of the audit rotation requirements across ASEAN.

Accounting, Audit and Financial Reporting in the Corporate Sector

- AFA could consider working with interested stakeholders across ASEAN member countries to facilitate a review of the PIE and SME definitions with a view to achieving a greater degree of harmonization.

Level of Differentiation between PIE and SME Financial Reporting Requirements

- AFA could consider working together with key stakeholders across the ASEAN countries to develop a differential reporting framework that would achieve a greater degree of harmonization for general purpose financial reporting and statutory audit requirements for different entity types. The framework could then be further adapted by individual countries to suit their individual contexts

Accounting, Auditing and Financial Reporting by Regulated Entities

- AFA could consider working with other key stakeholders to:
  + achieve consistency in the areas of submission of financial statements, submission deadlines and publication requirements;
  + develop more robust frameworks for 'lesser developed' countries

- for monitoring compliance with financial reporting standards
- for monitoring of audit quality
- for both regulated and non-regulated entities;

- achieve better harmonization and collaboration between standard setters and regulators; and
- contribute to the overall development of corporate governance standards.

Accounting Standards and Standard Setting

- AFA could consider:
  + facilitating a review of the statutory audit requirements in conjunction with the work on the definitions of PIEs and SMEs and development of a consistent differential reporting framework as discussed above; and
  + coordinating the development of sustainable mechanisms for 'lesser developed' countries for:
    - the translation and issuance of the ISAs along with the associated interpretations and guidance material and keep this up to date as new material is issued; and
    - the conduct of training on a regional basis on implementation of the standards.

Auditing Requirements, Standards Adopted and Standard Setting

- AFA could consider:
  + facilitating a review of the statutory audit requirements in conjunction with the work on the definitions of PIEs and SMEs and development of a consistent differential reporting framework as discussed above; and
  + coordinating the development of sustainable mechanisms for 'lesser developed' countries for:
    - the translation and issuance of the ISAs along with the associated interpretations and guidance material and keep this up to date as new material is issued; and
    - the conduct of training on a regional basis on implementation of the standards.

Audit Regulation, Quality Assurance and Public Oversight

- AFA could consider facilitating the establishment of a robust audit quality assurance mechanism particularly for the lesser developed countries.

Public Sector Financial Reporting and Audit

- AFA needs to consider the future role it (and its members) wishes to play in terms of the public financial management reform agenda and the capacity building required. There are large synergies to be had from developing one overall framework for the accounting and auditing across both the private and public sectors which has been made possible by the convergence of the international standards. Development partners are likely to be very receptive to initiatives in this area.

[i] In 2014 a MOU was signed with ICAEW for a membership pathway route.