





Contents

Message from the President			
Message from the Chief Executive	4		
The Year in Summary	5		
CAPA Raising the Voice of Asia	7		
Key Achievements & Activities in 2013			
Developing the Profession	11		
Advancing Public Sector Financial Management	15		
Future Events & Proposed Activities	20		
The Organisation			
CAPA Member Organisations	21		
Board & Committee Representatives	23		
Leadership Team	24		
Secretariat	24		
CAPA Presidents	25		

MESSAGE from the PRESIDENT

In his final message, our previous President, Inki Joo, wrote: "Presidents of professional service organisations will tell you that I their main goal is to leave the organisation in better shape than it was at the commencement of their term". This was a challenge I myself took on two years ago, and as I now hand over to a new President, I feel very satisfied that this goal has been achieved.

2013 has proved to be a watershed year. Our Chief Executive refers to it as a "year of firsts," given the multitude of activities and accomplishments that occurred either for the first time this year or simply for the first time in a long time.

Importantly, CAPA is now taking the initiative when we see the needs of the profession not being met by other means. Leading this effort are two working committees introduced during our restructuring in 2012 and focused, respectively, on professional accountancy organisation (PAO) development and public sector financial management.

These two committees have produced immediate results, with the benefits being seen in two main areas:

- targeted outreach activities and
- research and publications to support PAOs, particularly those in early stages of development.

Their momentum will continue into 2014, with outreach already planned to the Philippines and Vietnam and new projects commenced. I wish these committees much success in the years ahead.

Partnering with stakeholders is very important for CAPA's success and I would like to make special mention of some of the stakeholders that have helped make 2013 such a special year. Firstly, my gratitude to the World Bank, whose representatives have participated in and contributed to our meetings whenever requested. Their support has been most valued. We are also very grateful for their support of a specific capacity-building project, which would not otherwise have proceeded.



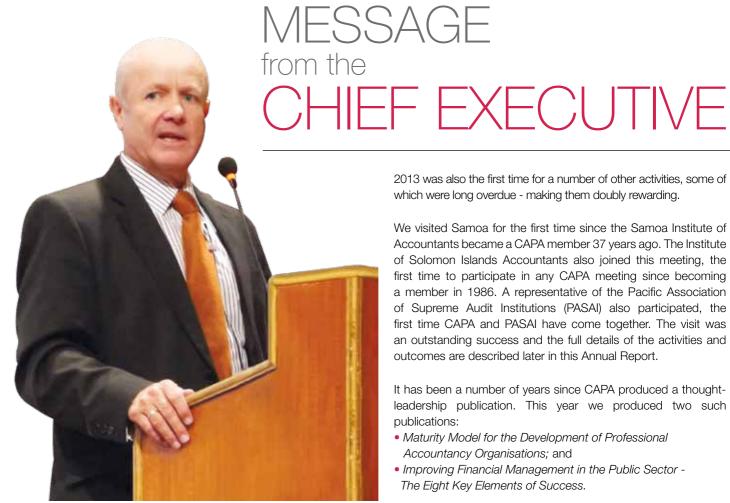
I am also grateful to the International Federation of Accountants (IFAC), which represents the global profession, as it is vital that the national, regional and global organisations collaborate effectively. We are very pleased to have such a productive relationship with IFAC, especially with staff of the Member Body Development Team, who provide support and assistance for our activities wherever possible.

Lastly we are grateful to our own members, the PAOs in the Asia and Pacific region, and to their representatives, who give so freely of their time and contributions. This is the "CAPA family" that I have been so proud to lead for the last two years. My very best wishes to you, to the Chief Executive and to the Secretariat staff.

May you experience continued success.

The Hellach.

Keith Wedlock President



t seems like only yesterday that I was writing last year's message for the CAPA Annual Report. I think that says something important about 2013, which has been an exhilarating year one that I will remember for some time.

We began the year having signed a grant agreement with the World Bank to undertake a capacity-building project that would directly benefit the accountancy profession in Mongolia, the Philippines and Vietnam, and indirectly benefit accountancy organisations across the region and even globally. Excitedly, we set about scoping the project and, by means of a comprehensive procurement process, identifying and selecting an experienced consultant to undertake the 2-to-3 year effort. The work is now underway and we are very confident that the project will deliver long-term benefits.

This is the first time CAPA has received funding support from the World Bank and the first time the organisation has implemented the necessary consultant-procurement processes. The experience gained by all parties will be of great benefit into the future.

2013 was also the first time for a number of other activities, some of which were long overdue - making them doubly rewarding.

We visited Samoa for the first time since the Samoa Institute of Accountants became a CAPA member 37 years ago. The Institute of Solomon Islands Accountants also joined this meeting, the first time to participate in any CAPA meeting since becoming a member in 1986. A representative of the Pacific Association of Supreme Audit Institutions (PASAI) also participated, the first time CAPA and PASAI have come together. The visit was an outstanding success and the full details of the activities and outcomes are described later in this Annual Report.

It has been a number of years since CAPA produced a thoughtleadership publication. This year we produced two such publications:

- Maturity Model for the Development of Professional Accountancy Organisations; and
- Improving Financial Management in the Public Sector -The Eight Key Elements of Success.

We aim for these publications to be used by accountancy organisations to develop and advance their organisations, the profession and their local and regional economies. They have already been well received by the accountancy profession at large and the coming year will see CAPA begin to roll them out widely.

So my thanks to our members, volunteers and, importantly, the Secretariat staff, for making this year such an exciting "year of firsts."

I wish to pay particular tribute to Keith Wedlock as he concludes his two-year term as President. Keith has worked tirelessly for the benefit of the organisation and has always provided invaluable support, advice and encouragement. Keith, you should feel proud of your achievements!

Brian Blood Chief Executive

THE YEAR IN SUMMARY

STRATEGIC INITIATIVES

- We reviewed the overall CAPA strategy, confirming our focus on positioning Asia as a leader in the global accountancy profession.
- Our capacity-building project, *Improving Continuing Professional Development (CPD) Systems of National Professional Accountancy Organisations (PAOs)*, commenced, funded by the World Bank. The 2-3 year project will be undertaken by a consultant selected after a comprehensive procurement process.
- The Public Sector Financial Management (PSFM) Committee prepared *Improving Financial Management* in the Public Sector The Eight Key Elements of Success for publication.
- We co-organised a conference in Kathmandu, Nepal "Strengthening Nepal Public Sector Accounting and Auditing" was attended by over 60 local and international delegates, including officials from the Nepal public sector, with an opening address by the Secretary of the Ministry of Finance of Nepal.
- We staged a "Public Sector Roundtable" event in Kathmandu, Nepal attended by 40 participants, including representatives from the Nepal public sector and accounting profession, members of CAPA's PSFM Committee and other international public sector experts.
- Two speakers were invited to the PSFM Committee meeting in Vancouver, Canada to present an overview of the Canadian public sector, including components of effective government financial systems and solutions that support the reform and modernisation of public financial management.
- The Professional Accountancy Organisation (PAO) Development Committee prepared Maturity Model for the Development of Professional Accountancy Organisations for publication.
- The PAO Development Committee met in Apia, Samoa in August for an outreach meeting at which our members from Fiji, Papua New Guinea, Samoa, and the Solomon Islands were invited to participate in discussions about the maturity model and to "pilot test" the draft model by undertaking a self-assessment.
- We co-organised a conference in Apia, Samoa "The Accountancy Profession in Samoa Supporting Business Development and Growth" was attended by over 100 local and international delegates comprising Samoan government officials, business leaders and members of the accountancy profession.
- We participated in the "International Conference of the Institute of Chartered Accountants of India" in Kolkata in late November, where the President and Deputy President jointly delivered a keynote speech titled *Raising the Voice of Asia in the Global Accountancy Profession*.
- World Bank representatives joined CAPA at all events in Nepal, Samoa and India.
- We participated in the meeting of the International Federation of Accountant's (IFAC) Professional Accountants in Business Committee held in Beijing, China in mid-October.
- Our representative assisted, supported and contributed to meetings of IFAC's PAO Development Committee and the IFAC-Donors Steering Committee for the Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration (MOSAIC), held in Beijing, China in mid-October.
- On various occassions, we met and liaised with IFAC, other regional organisations and accountancy groupings, and PAOs to promote standards and share knowledge for the benefit of our members.

We reviewed the overall CAPA strategy, confirming our focus on positioning Asia as a leader in the global accountancy profession.

OPERATIONAL ACHIEVEMENTS

- Members and the Board gathered for meetings in:
 - Vancouver, Canada 34 attendees
 - Kolkata, India 38 attendees
- Representatives and technical advisors gathered for the following committee meetings:
 - PSFM Committee Kathmandu, Nepal 21 attendees
 - PAO Development Committee Apia, Samoa 13 attendees
- We amended the Memorandum and Articles of Association following agreement on revised definitions for membership categories.
- We drafted additional policies for the Governance & Policies Manual, which now contains over 50 policies.
- We analysed the results of the inaugural Members Satisfaction Survey, which suggested that the organisation is performing very well and yielded insights that will help us ensure our members' needs are fulfilled and the value to members is maximised.
- We achieved a better-than-budget financial result whilst undertaking a number of Board-approved, but unplanned activities.

The inaugural Members Satisfaction Survey suggested that the organisation is performing very well.

CAPA RAISING THE VOICE OF ASIA

What is CAPA?

The Confederation of Asian and Pacific Accountants (CAPA) is a regional organisation representing thirty-one national professional accountancy organisations (PAOs) operating in Asia Pacific. These PAOs, referred to as CAPA's members, represent over 1.5 million accountants across the region.

CAPA is one of four regional organisations recognised by the International Federation of Accountants (IFAC), which represents the global accountancy profession. The others represent PAOs in Europe. Africa and the Americas. Of the four regions, Asia Pacific is the largest by geographical spread, as members stretch from Mongolia to New Zealand and from Pakistan to Canada, coming from jurisdictions of greatly varying populations and a wide variety of cultures.

CAPA has a unique role within the accountancy profession, positioned between IFAC, which represents the global profession, and the national PAOs, which represent the profession in each jurisdiction. Accordingly, CAPA is better placed to undertake certain initiatives and activities than either IFAC or the PAOs.



* For full details of CAPA members, please refer to pages 21 and 22

Our **History**

he idea of CAPA was conceived at the "First Far East Conference of Accountants," heldin 1957 in Manila, Philippines. It was the first accountancy conference of such magnitude held in the region, where 20 organisations from 15 jurisdictions participated. One third of these jurisdictions did not have a national accounting organisation at the time and the idea of forming a formal confederation

of accounting bodies was therefore deferred; however, the notion of holding a regular regional conference was retained.

At the next conference, held in 1960 in Canberra and Melbourne, Australia, the grouping was renamed the Confederation of Asian and Pacific Accountants, with more jurisdictions joining. In 1976, CAPA adopted a formal charter and established

an Executive Committee (now the Board) to carry out activities in line with its newly established mission and objectives.

As of 31 December 2013, CAPA has a membership of 31 accountancy organisations in 23 jurisdictions.

The Role of CAPA

APA provides the structure to enable relationship building and knowledge sharing Jamong PAOs operating in the region and to undertake specific activities consistent with the organisation's vision and mission.

While CAPA has limited resources of its own, by We expect all our stakeholders to share and demonstrate harnessing the significant collective resources of our member organisations and by collaborating with these organisations, the mission of CAPA can be effectively and efficiently achieved (see Vision & Mission Statement).

CAPA's mission is supported by medium- to longterm strategies and short-term work plans. These embrace both the public and private sectors and all facets of the accountancy profession.

Our values underpin the organisation's culture and provide an anchor point and framework to support

stakeholders as they work together and make decisions. It is particularly important for an organisation that represents and involves so many PAOs and jurisdictions, each with its distinct culture, to establish a clear identity to which all member organisations can subscribe.

the following values:

- Trust
- Respect
- Cooperation
- Inclusiveness
- Positive Attitude
- Excellence
- · Kaizen, or Continuous Improvement

VISION & MISSION STATEMENT

Vision - for the Profession in Asia Pacific

A relevant and respected accounting profession, trusted and valued by governments and businesses and recognised for contributing to the development of sustainable financial markets and economies.

Vision - for CAPA (as an Organisation)

An inspirational leader for the accounting profession in Asia Pacific.

Mission - for CAPA

To develop, coordinate and advance the accounting profession in the region by:

- Contributing to the formation and development of strong and sustainable professional accounting organisations capable of providing and maintaining accountants to effectively meet the needs of the country in which they operate
- Fostering a cohesive accounting profession within the region by facilitating the development of relationships and the sharing of knowledge among professional accounting organisations
- Promoting the benefits of high-quality financial and performance management and reporting in the public, not-for-profit and private sectors, including international standards in accounting, audit, ethics and accounting education

- Liaising with governments and regional and national organisations to influence the development of public sector financial management
- Liaising with international, regional and national organisations to influence the development of efficient and effective capital markets
- Promoting the value of professional accountants in the region
- Providing input to, and supporting the global profession in, matters of public interest including establishing and issuing policy positions

CAPA RAISING THE VOICE OF ASIA

Raising a Regional Voice in the Global Profession

At a keynote address for the "International Conference of the Institute of Chartered Accountants of India (ICAI)", held in November 2013 in Kolkata, India, CAPA's outgoing and incoming Presidents together called for the accountancy profession in Asia to "raise its voice in the global profession". The following is a summary of that presentation.

The profession in Asia has changed and grown considerably: we now have a profession to be proud of, and the rest of the world is increasingly interested in what is happening in Asia.

CAPA Keynote Address for ICAI International Conference

If the globalisation of the accounting profession, the adoption and implementation of international standards continue to dominate agendas in many countries and the demand for professional accountants continues to rise. This is true throughout Asia, as in the rest of the world.

In recent years, the profession in Asia has changed and grown considerably: we now have a profession to be proud of, and the rest of the world is increasingly interested in what is happening in Asia.

Given the size of Asia, from the perspectives of both its population and its economy, we can assume there is much potential for future growth as well. And since the nature of business has changed due to increasing globalisation, we see that our work as professional accountants in Asia will continue to evolve significantly.

In order to stay relevant to the times and for our services to be valued in the economies in which we serve, we need to ensure that as we grow, the issues faced by the profession in our region attract global support, assistance, and solutions. It is therefore time for the profession in Asia to take notice of regional and global events and to participate seriously in the global profession, articulating the views of Asia.

The profession in Asia represents a substantial - and growing - piece of the global profession. Already there are over fifty accountancy organisations across Asia representing over 1.5 million accountants. The number of accountancy students is not included in these figures, and the number of students is extremely high - and yet we still do not have enough.

Not all countries in Asia have well-established accountancy organisations and, further, the profession is generally "newer" in this region. For instance, the Chinese Institute of Certified Public Accountants was only founded in 1988. So there is undoubtedly room for more accounting organisations to emerge and to develop into recognised leaders. In fact, one of CAPA's objectives is to ensure that this happens.

In terms of involvement in the global profession, Asia is reasonably well represented on the international standard-setting boards and the board and committees of the International Federation of Accountants (IFAC), which represents the global profession. The Americas and Europe remain strong influencers, of course, with their accounting professions having a long history whilst Africa continues to strive to develop its profession. Asia certainly has a seat at the table, supported by some long-established accounting organisations from Japan, Hong Kong, Singapore and Oceania.

The ability for Asia to influence the global profession clearly exists. The question is whether that influence is being exercised. Certain challenges exist in this regard, not least of which is that all activities and outputs are based on the English language. This, of course, gives rise to the need for translation and all the challenges that translation provides. While English is being taught in schools in many Asian countries and is spoken to a certain degree, it remains a second language and the level of proficiency differs from country to country.

Asia's shorter history of involvement in the profession is sometimes considered an advantage, especially in developing and emerging economies, where the somewhat easier and logical decision is simply to adopt and implement international standards. However, recognising that cultural differences and alternative points of view exist, Asia must contribute to today's international standard-setting environment and not simply accept what is available. It is vital that international standards suit the legal and contextual environments of Asia, which are often unique.

As more and more countries now require or are committing to using international standards in their financial reporting and auditing, and as businesses become more globalised, contributing to the global dialogue will become more important. International standards are considered to be the benchmark for the profession and for business globally. Developing and emerging economies, especially those in our region, need them as much as Wall Street or the European Union. Perhaps the emerging economies need them even more, as their businesses have so much to prove to foreign investors about their own viability and the stability of their monetary systems.

If international standards are considered the benchmark, then it is important to ensure that those standards be applicable across the spectrum of jurisdictions, and the best way to provide context and feedback is to be actively involved in their development.

IFAC and the standard-setters are very keen to involve and engage with Asia. Otherwise it is hard to have confidence that the resulting standards can be adopted and implemented in all regions of the world and truly be regarded as international.

Why is it important that the Asian profession be well represented? The answer is very simple: to input views and to share in the outcomes, products and services for the profession, such as:

- development and use of international standards;
- development of guidance, tools and other support mechanisms; and
- to influence strategies and the use of limited resources.

We need to ensure that representatives from Asia who get involved in the global profession have the right experience, competencies and skills, including communication skills, to effectively participate and express their views. Many such representatives are already doing an excellent job; their efforts need to be supported and enhanced.

The profession in the region will benefit greatly if we contribute enough to begin with. Hence the reason it is so important to raise the profile and involvement of the Asian profession. CAPA will be increasingly focusing on this objective; in fact, we have set this as the theme for our upcoming "CAPA Conference" to be held in Seoul, Korea in 2015.

Recognising that cultural differences and alternative points of view exist, Asia must contribute to today's international standard-setting.



DEVELOPING THE PROFESSION

ecognising the vital role that accountants play in establishing confidence in all economies, CAPA continues to work with key stakeholders in the accountancy profession and the donor community to develop and promote the value of professional accountants across the region. As the Regional Organisation (RO) for Asia Pacific, CAPA is well placed to assume this role and to undertake certain related activities because ROs such as CAPA offer proximity and cultural understanding, and reflect the mutual interest of their members. This is done through various initiatives, including:

- Working continuously with the donor community to explore opportunities for capacity building within the profession in the region
- Working with the global profession, through interaction with the International Federation of Accountants (IFAC), to identify ways to further develop professional accountancy organisations (PAOs) in the region
- Working with specific member PAOs through outreach activities to understand their needs and identify special-assistance programs
- Relationship building and knowledge sharing sessions with member PAOs

CAPA's Professional Accountancy Organisation Development Committee (PAODC) leads the above initiatives.

OBJECTIVES OF THE PAO DEVELOPMENT COMMITTEE

- Facilitate relationships and activities that contribute to the development of PAOs in the region
- Identify and support development of relationships and partnerships with key stakeholders, particularly donor agencies - globally, regionally and in-country
- Identify and prioritise key regional and countryspecific needs and develop strategies and plans to address those needs
- Identify and share relevant knowledge, tools and guidance to assist in the development of PAOs
- Coordinate CAPA activities with any relevant activities of IFAC's PAO Development Committee
- If requested by a PAO, provide assistance to that PAO to both obtain IFAC membership and access partnering or mentoring support
- Advocate to IFAC on PAO development matters that the global profession should address



PAO Development Committee Members

Jackie Poirier, **Chair**, *Canada*Andrew Conway, *Australia*Liang Jing, *China*Subodh K. Agrawal, *India*Pat Leota, *Samoa*Jean Ettridge, *UK*Gordon Cherry, *USA*Tran Van Ta, *Vietnam*

Maturity Model for the Development of Professional Accountancy Organisations

In 2012, the PAODC embarked on a project to develop a thought-leadership piece to assist the development of professional accountancy organisations (PAOs). The project took the form of a "maturity model" that enables PAOs to undertake a self-assessment to determine the stage of their development. The model was finalised late this year and is expected to be published in early 2014, and CAPA will be actively promoting the model in the future. We hope to encourage PAOs to use it as a self-assessment mechanism to help identify opportunities for development and improvement.

For existing PAOs, this document can be used to identify "better practice" attributes: the attributes that tend to characterise highly relevant, sustainable organisations. For newly formed accountancy organisations, it can be used to identify the attributes needed to develop into a PAO.

The model comprises sixteen key success areas (KSAs) across four broad characteristics, which are presented around the outside of the model as:

- 1. Sustainability
- 2. Relevance
- 3. Member Value
- 4. Professionalism

SUSTAINABILITY

Recognition

Member Involvement

Signal & Manker Involvement

Signal & Member Involveme

Maturity Model: a mechanism to help identify opportunities for development and improvement using 4 key characteristics, 16 key success areas and 5 levels of progress

Each of these KSAs is considered important; however, the primary emphasis may vary based on the organisation concerned. For example, the extent of the organisation's focus on auditing, the public sector, small-to-medium practitioners, or accountants in business will dictate which KSAs are most beneficial to that organisation.

Further, in considering potential opportunities, organisations should establish aspirations based on their unique mission,

strategy, resources and contextual setting. These aspirations will reflect country-specific considerations such as size, culture and the political, legal, social and economic environment.

The application of the model by each organisation can therefore be tailored to suit the specific nature, focus or stage of development of that organisation.

KEY ACHIEVEMENTS & ACTIVITIES IN 2013

PAODC Outreach:

Supporting The Development of PAOs in the South Pacific



The PAODC took the opportunity to "pilot test" a draft version of the maturity model during its meeting, with CAPA members from Samoa, Solomon Islands and Papua New Guinea each undertaking a self-assessment. These self-assessments formed the basis for wide discussions, allowing for an exchange of development ideas as well as valuable feedback for refining the draft model. Each PAO indicated that its council had found it very useful to consider all of the elements that contribute to establishing, developing and sustaining a successful PAO.

In conjunction with the visit, CAPA and SIA jointly held a half-day forum titled "The Accountancy Profession in Samoa: Supporting Business Development and Growth." The forum, which attracted 80 SIA members and another 40 business and government leaders, consisted of three panel sessions addressing the theme from the perspectives of accountants in public practice, business and the public sector.

- 1. From left to right: Kevin Kepore,
 Director Academic of CPA Papua
 New Guinea; Baoro Koraua,
 President of Institute of Solomon
 Islands Accountants; Brian Blood,
 Chief Executive of CAPA; Asit Sen,
 President of Fiji Institute of Accountants
- 2. From left to right: Brian Blood,
 CAPA Chief Executive;
 Siinaroseta Palamo-losefo, Capacity
 Building Advisor of Pacific Association of
 Supreme Audit Institutions;
 Petra Chan Tung, SIA Treasurer,
 Susana Laulu, SIA President;
 Pat Leota, SIA Council Member
- Prime Minister of Samoa (left) delivering a keynote address after the welcome address by Susana Laulu, SIA President (centre) and opening prayer by Reverand Siaosi Salesulu (right).

The Honourable Tuilaepa Lupesoliai Sailele Malielegaoi, Prime Minister of Samoa, officially opened the forum, while the Honourable Faumuina Tiatia Faaolatane Liuga, Minister of Finance of Samoa, officially closed it. The three panel sessions featured representatives from CAPA, SIA and the World Bank, who shared and explored the ways in which the profession as a whole is contributing to developing and growing sustainable businesses and economies.

The forum was an excellent platform for exploring initiatives being undertaken at the global, regional and national levels. It was followed by a networking function in the evening, generously sponsored by CPA Australia.

Engaging with The Global Profession & Donors in PAO Development

APA has been invited to participate in meetings of the International Federation of Accountants (IFAC) PAO Development Committee for the past two years. These meetings coincide with the meeting of the MOSAIC (Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration) Steering Committee involving the global profession and donors, to which CAPA is also invited.

These meetings for 2013 were held in October in Beijing, China. CAPA shared its recent initiatives - the maturity model discussed earlier and another thought-leadership piece developed by the Public Sector Financial Management Committee titled *Improving Financial Management in the Public Sector - the Eight Key Elements of Success* (see page 17). These were both received extremely well, with many PAOs expressing interest in obtaining the final maturity model for self-assessment exercises.

CAPA is an active participant in the MOSAIC Steering Committee meetings, and on this occasion shared learnings associated with securing and implementing its capacity-building project with the World Bank (see below).



The MOSAIC Steering Committee used this meeting to discuss its major work to date - a publication titled *PAO Global Development Report*. This report identifies ten key areas of focus to assist develop the accountancy profession. CAPA is keen to see subsequent initiatives to progress the agenda established in this milestone publication.

Working with Donors In Capacity Building

In late 2011, CAPA was approached by the World Bank to discuss undertaking a capacity-building project focused on assisting PAOs in establishing and maintaining effective systems for continuing professional development (CPD). A Grant Agreement was signed in early 2013 and a consultant was recently selected. The consultant is expected to complete the project over the next two years.

PRESS RELEASE

CAPA To Begin World Bank Funded Capacity-Building Project

Thursday, November 28, 2013

The Confederation of Asian and Pacific Accountants (CAPA) is excited to announce the launch of a capacity-building project focused on improving continuing professional development (CPD) systems. The project will directly involve and benefit the national professional accountancy organisations (PAOs) in three Asian member countries - namely the Mongolian Institute of Certified Public Accountants (MonICPA), the Philippine Institute of Certified Public Accountants (PICPA) and the Vietnam Association of Certified Public Accountants (VACPA).

CAPA Chief Executive, Brian Blood, noted that while the immediate focus is on three countries, many other PAOs in the region and indeed globally are expected to benefit, with the project yielding a "better practice" guide for the design and implementation of effective CPD systems. "This is a very significant milestone for CAPA," Brian commented.

Outgoing CAPA President, Keith Wedlock, announced the commencement of the project at the CAPA Board meeting in Kolkata, India, with the appointment of a consultant, being a joint venture between AARC Ltd, a specialist accounting and audit reform consulting firm, and ACCA, one of the world's largest PAOs. "CAPA was pleased to see wide interest in this project from organisations around the world," Keith said.

CAPA would like to take this opportunity to thank the World Bank for their support and foresight in recognising the role played by the accountancy profession in developing strong and sustainable economies, and ultimately assisting the Bank in meeting its twin goals of eliminating extreme poverty and boosting shared prosperity.

1:

ADVANCING PUBLIC SECTOR FINANCIAL MANAGEMENT

ollowing the global financial crisis in 2008 and sovereign debt crises around the world over the last few years, there has been a growing emphasis on improved governmental financial reporting and an increased demand for accountability and transparency. The global accounting profession has been very active in advocating action to improve public sector accounting.

Perhaps as a result, International Public Sector Accounting Standards (IPSAS) have gained a higher profile in recent times. The standard-setting board for public sector accounting, the IPSAS

Board, has reported on the growing momentum in recent years in the adoption of IPSAS around the world. Over 80 countries have either adopted or have processes in place to adopt IPSAS, including a number of Asian countries.

The opportunity to improve financial reporting in the public sector is very high in many countries. This has encouraged CAPA to issue a Position Statement in mid-2011 reflecting our stand and our commitment to improve public sector financial management.

Position Statement

Improving Public Sector Financial Management

The Confederation of Asian and Pacific Accountants (CAPA) fully supports and encourages the convergence towards International Public Sector Accounting Standards (IPSAS) by all member countries in the Asia Pacific region to assist in the improvement of public sector financial management.

Users of financial reports produced by the private sector have, for many years, demanded and supported the development of globally accepted high quality financial reporting standards. These users have included regulators and central government agencies. This has resulted in an increasing number of countries adopting and implementing International Financial Reporting Standards (IFRS) as the financial reporting norm for the private sector.

Concurrently there is a growing international movement to improve financial reporting in the public sector. This has resulted in many countries initially adopting cash based accounting; moving to a more sophisticated accrual basis for financial reporting; and finally a number are adopting and implementing accrual based IPSAS.

Improving the quality of financial reporting in the public sector is viewed by CAPA as critical in addressing the huge

The Confederation of Asian and Pacific Accountants risks, such as unexpected sovereign debt crisis situations (CAPA) fully supports and encourages the that may remain obscured when robust accounting and convergence towards International Public Sector reporting techniques are not used in the public sector.

the Asia Pacific region to assist in the improvement of public sector financial management.

From a public interest perspective the more effective monitoring of financial performance within public sector entities is critical. CAPA supports accrual based financial reports produced by the private sector have, for many years, demanded and supported the development of globally accepted high quality financial and position.

Achievement of this ensures that the same high standards of financial reporting are applied by both the private and public sectors of an economy - thus leading to better informed decision-making at both the micro and macro levels.

CAPA, therefore, calls for governments in the Asia Pacific region to fully recognise the need for robust financial systems, and to lead changes in public sector accounting and reporting to support enhanced public sector financial management.

The opportunity to improve financial reporting in the public sector is very high in many countries.

CAPA's Public Sector Financial Management Committee (PSFMC) is closely involved in and leads all public-sector related initiatives.

OBJECTIVES OF THE PUBLIC SECTOR FINANCIAL MANAGEMENT COMMITTEE

- Identify and support the development of relationships with key stakeholders
 globally, regionally and in-country
- Promote the importance, value and benefits of high-quality public sector financial management (PSFM)
- Identify and prioritise regional and country-specific needs with regard to PSFM and develop strategies and plans to address those needs
- Identify and share relevant knowledge and tools and provide guidance to assist in the development of highquality PSFM, both regionally and in-country
- Promote high-quality internal and external reporting and public sector auditing based on IPSAS, IFRS and ISAs (International Standards on Auditing)
- Advocate to IFAC on PSFM matters that the global profession should address



Public Sector Financial Management Committee Members

Geoff Applebee, **Chair**, *Australia*Anwaruddin Chowdhury, *Bangladesh*Pramod V. Bhattad, *India*Young Jin Park, *Korea*Gill Cox, *New Zealand*Saqib Masood, *Pakistan*Gillian Fawcett, *UK*

Other individuals that also participated and contributed significantly to the work of this committee were Sumita Shah from the Institute of Chartered Accountants in England and Wales (ICAEW) and Alan Edwards from the Chartered Institute of Public Finance and Accountancy (CIPFA).

Improving Financial Management in the Public Sector

The effective management of public finances - known as public financial management (PFM) - is fundamental to the development and growth of individual economies. One reason is that the tax-paying citizens of any country expect their public finances to be well managed. They expect them to be allocated effectively, used to deliver quality services and to provide a secure and stable environment in which society may exist and prosper. They also expect finances to be collected and expended fairly and according to the law, with surpluses, deficits and debt levels understood and in control.

Additionally, the private and public sectors are highly interdependent and must have confidence in each other if they are to work together to grow cities and nations. This kind of confidence requires government accountability and transparency in both decision-making and reporting.

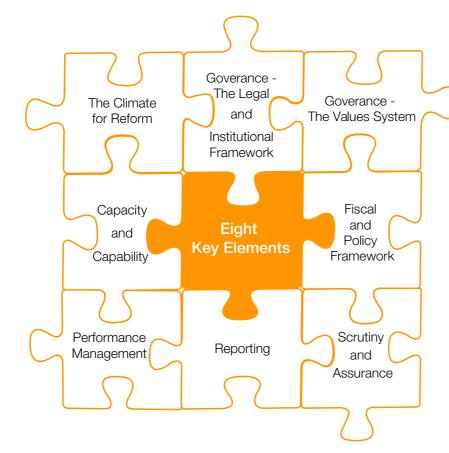
Successful economies tend to have one feature in common: a strong relationship between the government and the accountancy profession. On the one hand, the accountancy profession is committed to protecting the public interest and encouraging accountability and transparency from governments around the world. And on the other, it has a number of significant roles to play in PFM, whether as advisor to governments or as designer, implementer, executer, reporter, reviewer or assurer. In fact, the involvement of professional accountancy organisations (PAOs) is vital to the implementation of the "eight key elements of PFM success".

- The 8 Keys Elements of PFM Success

n 2012, the PSFMC embarked on a project to develop a thought-leadership piece to provide PAOs with the means to have substantive dialogues with their governments on the topic of current and desired states of PFM. The project resulted in a document titled *Improving Financial Management in the Public Sector - The 8 Key Elements of Success*, which will be published in early 2014. CAPA will be actively promoting the document and encouraging PAOs to use it to engage with their governments as they consider opportunities to improve financial management in the public sector.

The eight key elements shown here do not purport to establish best practice or to be a detailed checklist specifying exactly which elements should be in place. They simply aim to stimulate a dialogue that, in turn, may establish the most appropriate choices for different circumstances.

Depending on the stage of PFM development in any given jurisdiction, the focus may be on some elements rather than others. Additionally, certain elements may be considered as a prerequisite to other elements and certain elements may be regarded as more significant than others in achieving success. The more important elements will vary from jurisdiction to jurisdiction, reflecting each jurisdiction's unique history, circumstances and culture.



The Eight Key Elements for a comprehensive and coherent PFM system

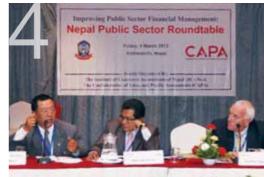
PSFMC Outreach:

Strengthening Public Sector Financial Management in Nepal











Ith a number of public financial management (PFM) reform initiatives underway in Nepal, the Institute of Chartered Accountants of Nepal (ICAN), the country's national professional accountancy organisation (PAO), organised a conference to share the experiences of reform journeys from various countries around the world. CAPA assisted with the planning and organisation of the conference, titled "Strengthening Nepal Public Sector Accounting and Auditing - Building on Experiences," which was held in early March in Kathmandu, Nepal.

The half-day event was attended by over 60 delegates from the Nepal public sector, as well as professionals working in the industry locally and internationally. The Secretary of the Ministry of Finance of Nepal delivered an opening address. Key officials from Nepal were invited to discuss the challenges in reforming and improving PFM in Nepal, while a representative from the World Bank and relevant international speakers from Korea, Pakistan, Sri Lanka and the United Kingdom provided much insight into the key factors necessary for achieving the desired results of PFM reform projects, including the importance of training to properly implement IPSAS.

Following the conference, a roundtable event was held involving some 40 participants from the Nepal public sector, Auditor General's office, Comptroller General's office, Accounting and Auditing Standard Boards of Nepal, ICAN, the World Bank and other international public sector experts. The roundtable, facilitated by the chair of CAPA's PSFMC, was organised to further deliberate on PFM reform initiatives in Nepal, with the aim of contributing towards current and future development programs.

- 1. From left to right: Brian Blood, CAPA Chief Executive; Keith Wedlock, CAPA President; Madhu B. Pande, ICAN President; Shanta Raj Subedi, Secretary of the Ministry of Finance of Nepal
- 2. Conference speakers (from left to right): Brian Blood, CAPA Chief Executive; Madhu B. Pande, ICAN President; Rameshore Khanal, former Finance Secretary of Nepal Ministry of Finance; Bigyan Pradhan, World Bank Senior Operations Officer of Nepal Country Office; Sumita Shah, ICAEW Regulatory Policy Manager; Md. Abdullah Yusuf, former Chairman of Pakistan Federal Board of Revenue & ICAP Public Sector Committee Chairman; Alan Edwards, International Director of Chartered Institute of Public Finance and Accountancy; Young-Jin Park, Vice Chairman of KPMG Korea & KICPA Vice President; Keith Wedlock, CAPA President
- 3. Participants of the Nepal Public Sector Roundtable
- 4. From left to right: Bigyan Pradhan, World Bank Senior Operations Officer of Nepal Country Office; Madhu B. Pande, ICAN President; Geoff Applebee, Chair of CAPA PSFMC
- From left to right: Ishwor R. Shrestha & Ishwor Nepal, Assistant Auditor Generals of Nepal; Suresh Pradhan, Joint Financial Comptroller General of Nepal & Coordinator of the Public Expenditure and Financial Accountability (PEFA) Program; Mahesh Dahal, Joint Secretary of Nepal Ministry of Finance

FUTURE EVENTS & PROPOSED ACTIVITIES

Public Sector Knowledge Sharing Events







APA was privileged to have a number of public sector experts share their knowledge and experience with the PSFMC at two other meetings during the year.

In May, Arn van Iersel, former Comptroller General and acting Auditor General of British Columbia, Canada, presented an overview of the Canadian public sector financial management (PSFM) system at the Vancouver meeting. His presentation focused on the examination of the components of an effective PSFM system with examples from the province of British Columbia.

Also at the Vancouver meeting, Hal Le, Director of FreeBalance, a company that specialises in public financial management (PFM) and government resource planning (GRP), shared solutions for PFM reform and modernisation. These solutions focus on improving governance, transparency and accountability through the use of information technology systems developed by the company, resulting in a GRP system that is unique to the country concerned.

In November, Leslie I. Kojima, World Bank Senior Financial Management Specialist for the South Asia region shared the Bank's work in PFM in South Asian countries at the Kolkata, India meeting. The World Bank recognises the role played by the accountancy profession as an important pillar in the development of strong and sustainable economies, and in ultimately meeting the bank's twin goals of eliminating extreme poverty and boosting shared prosperity. He urged professional accountancy and regional organisations to work together to improve financial management in the public sector.

- Am van Iersel, former Comptroller General & acting Auditor General of British Columbia, Canada presenting an overview of the Canadian public sector financial management system
- Hal Le, Director of FreeBalance shared solutions for public financial management reform and modernisation
- P.V. Bhattad, representative of Institute of Cost Accountants of India (left) looks on while Leslie I. Kojima, World Bank Senior Financial Management Specialist for South Asia region (centre) takes a question from Geoff Applebee, Chair of CAPA PSFMC (right)

APA establishes an annual work

program aligned to its vision and

program aligned to its vision and aligned to its vision aligned to its vision and aligned to its vision aligned to its vi

mission. Our key focus areas - PAO development and the improvement of public sector financial management - will

continue into 2014.

Our capacity-building project, focused on improving systems of continuing professional development and funded by the World Bank, will see the consultant working with the three identified countries throughout 2014.

The other key activities for 2014 will be:

- Four sets of meetings and events as detailed below
- The rollout of two key publications: Maturity Model for the Development of Professional Accountancy Organisations and Improving Financial Management in the Public Sector The Eight Key Elements of Success
- Participation in an Asian Development Bank (ADB) forum and related events focused on public sector matters, to be held in Manila, Philippines
- Joint organisation with the World Bank of a high-level regional conference to be held in the South Asia region
- Preparations for "CAPA Conference 2015," to be held in Seoul, Korea
- Participation in the World Congress of Accountants 2014, to be held in Rome, Italy

CAPA Meeting Schedule 2014

Month	Location	Meetings	Associated Events
March	Manila, Philippines	Committee outreach	Roundtable with key stakeholders, policy makers and donor agencies, focused on the public sector in the Philippines
May	Colombo, Sri Lanka	Members and Board meeting Committee meetings Annual general meeting	Advancement of strategies and projects within the 2014 work program High-level regional conference
August	Vietnam	Committee outreach	PAO development activities
November	Rome, Italy	Members and Board meeting Committee meetings Extraordinary general meeting	Activities in conjunction with World Congress of Accountants

Full details of finalised arrangements and the focus of meetings or associated events are maintained on the CAPA website.



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CAPA Member Organisations

During 2013, membership categories and associated definitions were revised to better reflect the nature of CAPA. Three categories of membership - Member, Associate and Affiliate - reflect the different types of accountancy-related organisations that operate either directly or indirectly within the region.

Member

Definition:

Accountancy organisations that are headquartered in the Asia and Pacific region (as defined by CAPA) and:

- recognised by law and / or general consensus, including by peers, the public and other stakeholders, as being a national professional accountancy organisation in good standing in the jurisdiction;
- considered to be of high quality and good repute, meeting the quality criteria as established by the Board in CAPA's internal policies

Australia





CPA Australia (CPA Australia) www.cpaaustralia.com.au



Institute of Chartered Accountants Australia

The Institute of Chartered Accountants in Australia (ICAA)* www.charteredaccountants.com.au



The Institute of Public Accountants (IPA) www.publicaccountants.org.au

Bangladesh

CHARTERS ACCOUNTANT



The Institute of Chartered Accountants of Bangladesh (ICAB) www.icab.org.bd



The Institute of Cost and Management Accountants of Bangladesh (ICMAB) www.icmab.org.bd

Canada



Certified General Accountants Association of Canada (CGA-Canada)** www.cga-canada.org

China, People's Republic of



The Chinese Institute of Certified Public Accountants (CICPA) www.cicpa.org.cn

Fiii



Fiji Institute of Accountants (FIA) www.fia.org.fj

India



The Institute of Chartered Accountants of India (ICAI) www.icai.org



The Institute of Cost Accountants of India (ICAI) www.icmai.in

Japan



The Japanese Institute of Certified Public Accountants (JICPA) www.jicpa.or.jp

Korea, Republic of



THE KOREAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

The Korean Institute of Certified Public Accountants (KICPA) www.kicpa.or.kr

Mongolia



Mongolian Institute of Certified Public Accountants (MonICPA) www.monicpa.mn

Nepal



The Institute of Chartered Accountants of Nepal (ICAN) www.ican.org.np

New Zealand



New Zealand Institute of Chartered Accountants (NZICA)* www.nzica.com

Pakistan



The Institute of Chartered Accountants of Pakistan (ICAP) www.icap.org.pk



The Institute of Cost and Management Accountants of Pakistan (ICMAP) www.icmap.com.pk

* In November 2013, the members of ICAA and NZICA agreed to merge their respective activities into a single new accounting body; this is expected to come into effect during 2014.
** On October 8, 2013, at a Special General Meeting, members of CGA-Canada ratified the Integration Agreement between CGA-Canada and CPA Canada. CGA-Canada is now working with CPA Canada to unify the entire profession in Canada.

Papua New Guinea



CPA Papua New Guinea (CPAPNG) www.cpapng.org.pg

Philippines



The Philippine Institute of Certified Public Accountants (PICPA) www.picpa.com.ph

Samoa



Samoa Institute of Accountants (SIA) www.sia.org.ws

Sri Lanka



The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) www.casrilanka.com

United States of America



American Institute of Certified Public Accountants (AICPA) www.aicpa.org

Vietnam



Vietnam Association of Certified Public Accountants (VACPA) www.vacpa.org.vn

Associate

Definition:

all, the Member admission criteria.

Accountancy organisations that are headquartered in the Asia and Pacific region (as defined by CAPA) which have an interest in the accountancy profession.
Such organisations demonstrate a commitment to, but do not meet

D.P.R. of Korea



Pyongyang Office of Auditors of the D.P.R. of Korea (POA)

Samara, Russian Federation



National Institute of Professional Accountants, Financial Managers and Economists (NIPA) http://stipb.org/en

Sri Lanka



Association of Accounting Technicians of Sri Lanka (AATSL) www.aatsl.lk

Solomon Islands



Institute of Solomon Islands Accountants (ISIA)

Affiliate

Definition:

Organisations that have a recognised interest in the accountancy profession in the Asia and Pacific region which are either:

- Professional accountancy organisations (PAOs) headquartered outside the Asia and Pacific region (as defined by CAPA) and member bodies of the International Federation of Accountants: or
- International organisations that are not PAOs

France



Compagnie Nationale des Commissaires aux Comptes (CNCC) www.cncc.fr



Conseil Superieur de l'Ordre des Experts-Comptables (CSOEC) www.experts-comptables.com

United Kingdom



ACCA (Association of Chartered Certified Accountants) www.accaglobal.com



ICAEW (The Institude of Chartered Accountants in England and Wales) www.icaew.com

22

n CPA Canada to unify the entire profession in Canada.

Board & Committee Representatives

Board of up to twelve Members is elected every four years from within the membership. The Board is assisted by a Governance & Audit Committee (GAC) and a Strategy Committee (SC). Members of both committees are selected from within the Board, with the exception of the Chair of the GAC. Roles and responsibilities are set out in Board and Committee charters.

In addition, participation on two working committees, being the PAO Development Committee (PAODC) and the Public Sector Financial Management Committee (PSFMC), is open to the entire CAPA membership in the spirit of inclusiveness.

Member representatives at all meetings may be accompanied by technical advisors from the member organisations. Technical advisors play a very valuable role in assisting Board and Committee

members to perform their responsibilities and in providing additional voluntary resources and links to their organisations.

The Board meets twice a year. CAPA's Board meetings are organised in a manner that allows all member organisations to participate. These meetings provide opportunities to build relationships and share knowledge. PAOs benefit from such opportunities, especially those that are still developing, since they are able to gain ideas and assistance from the more mature and developed PAOs.

The Board meetings for 2013 were held in:

- Vancouver hosted by the Certified General Accountants Association of Canada
- Kolkata hosted by the Institute of Chartered Accountants of India

Board Member Representatives



Standing from left to right:

- 1. Josefina G. Chua, Philippines (Chair of GAC, non-Board member)
- 2. Anwaruddin Chowdhury, Bangladesh
- 3. Young Jin Park, Korea
- 4. Gill Cox, New Zealand
- 5. Gordon Cherry, USA
- 6. Saqib Masood, Pakistan (resigned in Oct 2013)
- 7. Gen Ikegami, Japan (resigned in Aug 2013)
- 8. Subodh K. Agrawal, India

Sitting from left to right:

- 1. Liang Jing, China
- 2. Sujeewa Mudalige, Deputy President, Sri Lanka
- 3. Keith Wedlock. President
- 4. Jackie Poirier, Canada
- 5. Geoff Applebee, Australia (resigned in Nov 2013)

A number of Board member representatives resigned late in the year as they completed their appointed term and were replaced as follows:

- Australia Low Weng Keong
- Japan Shinji Someha
- Pakistan Nadeem Y. Adil

The following Board members participated on the:

Governance & Audit Committee :

- Josefina G. Chua (Chair, non-Board member), Subodh K. Agrawal, Gen Ikegami
- Strategy Committee:
- Sujeewa Mudalige (Chair), Geoff Applebee, Jackie Poirier, Liang Jing, Saqib Masood

Leadership Team

The CAPA leadership team comprises of the President, Deputy President and Chief Executive. Outside of Board meetings, the leadership team executes decisions to implement the agreed strategies, and monitors the progress of the annual plan and activities of the Secretariat.

In late 2013, Sujeewa Mudalige was elected President for the coming two-year term, with Jackie Poirier elected Deputy President.



Sujeewa Mudalige (centre), as in-coming President hands over a President's badge memento to out-going President, Keith Wedlock (far-right) while Jackie Poirier (far-left), newly elected Deputy President offers a congratulatory applause

Secretariat

APA has a permanent office based in Kuala Lumpur, Malaysia.

The position of Chief Executive is held by Brian Blood, an experienced accountant and previous partner of global accounting firms, as well as a former President and Chair of CPA Australia, a founding member of CAPA.

The Secretariat office is managed by Khoo Mei Leng, Manager Regional Development, assisted by Winnie Lee, Executive Regional Communications & Events.

The Secretariat is responsible for implementing the strategies approved by the Board.

THE ORGANISATION

CAPA Presidents

Gordon M. Macwhinnie*, *Hong Kong*, September 1976

Eduardo M. Villanueva*, Philippines, October 1979

Niladri K. Bose*, India, November 1983

John O. Miller, Australia, May 1985

Hiroshi Kawakita, Japan, November 1986

Rex A. Anderson*, New Zealand, May 1988

Taesik Suh, Korea, Republic of, September 1989

William Mercer, Canada, October 1991

Douglas C. Oxley, Hong Kong, September 1993

Soon Kwai Choy, Malaysia, April 1995

Robert J. C. Jeffery, Australia, October 1996

Carlos R. Alindada, Philippines, October 1998

Ranel T. Wijesinha, Sri Lanka, November 2000

Li Yong, China, People's Republic of, April 2002

Robin Hamilton Harding, Canada, October 2003

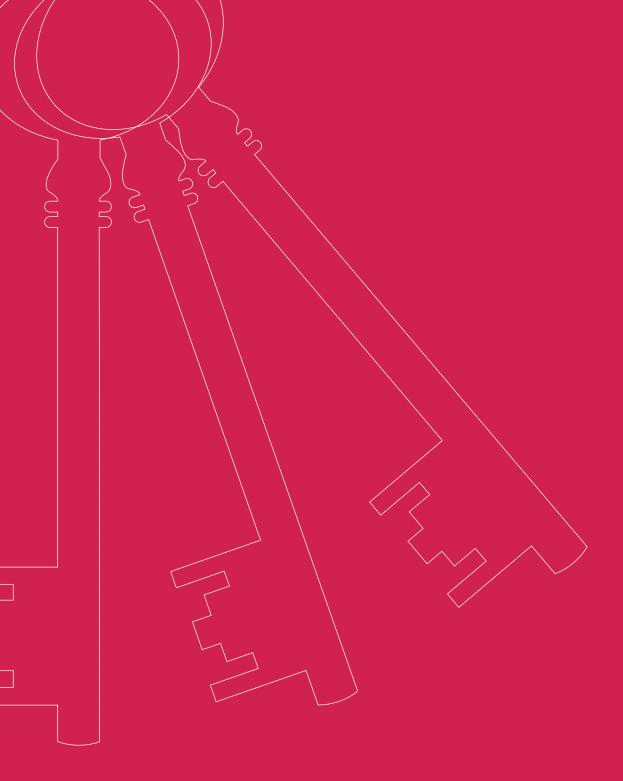
Shozo Yamazaki, Japan, November 2005

Kamlesh S. Vikamsey, India, October 2007

In Ki Joo, Korea, Republic of, October 2009

Keith Wedlock, New Zealand, October 2011

Sujeewa Mudalige, Sri Lanka, November 2013



Confederation of Asian and Pacific Accountants Secretariat Office

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