

A NEW STRATEGY FOR THE NEW ZEALAND SOCIETY OF ACCOUNTANTS: A PERSONAL VIEW

My initial view, as I suspect is the opinion of many, was that the proposal to create three separate semi-autonomous bodies was schismatic, or at least incipiently so. Having attended a briefing meeting I now believe the proposal was intended to be, on the contrary, ecumenical in nature.

Having said this my reaction, had I not been attending to another a primary thematic strand that threaded its way through the Wellington meeting, (on 9 March 1993) would have been to applaud the schism. I have an elitist impulse attributable to my professional origins. My membership of the Society is granted in virtue of my membership of the Institute of Chartered Accountants in England and Wales (ICAEW). To gain membership of the Institute, as you will be aware, necessitated I subject myself to an exacting and rigorous entrance regime.

Even when still in the UK and I was in a position to compare the relative quality of New Zealand accountants to their British equivalents or even to Australians (ACAs anyway) I found them wanting. Upon my return home my view was confirmed. Whilst it is a generalisation, that though often intelligent a significant proportion of trainees or young accountants I have encountered seem to have little awareness of or even interest in the corpus of knowledge that anchors their calling. My view is obviously shared by our overseas counterparts.

In view of this, my inclination would have been, given the requisite power, to subject all present and future members to a regime similar to that I had encountered. That is to create an institution in the image of that institution which, in its positive mode, is capable of imbuing a sense of professionalism. Having attended the meeting I have begun to appreciate how wrong headed this could be.

I recall the strenuous efforts made by the Institute in the mid 80's to initiate the kind of unity we have in New Zealand. When these were put to the vote, if I recall correctly, I as with the majority of the membership voted it down for similar elitist reasons I have outlined above. I may attribute too great a prescience to the hierarchy of the Institute but they may have realised the very real dangers of disunity.

I noted with some interest the remark made during the Wellington meeting by Gill Cox concerning the regret the Australians have at failing to "control" Accounting Technicians.¹ The implication being that as those individuals organise they will become assertive leading to inevitable surrender of prerogatives by the Society no matter how prestigious it may think it is. The elitism I referred to above may in fact accelerate this process as the Society becomes absorbed in the more remote and arcane aspects of its discipline as it has had a tendency to do hitherto.

¹ *This remark brings to mind, in the context of the 3 proposed tiers, the system advocated by Plato in The Republic. He too had 3 tiers which he designated gold, silver and bronze. In this system the golden had an absolute monopoly on knowledge and power; the other two groups were effectively systematically deceived in order to ensure complacency.*

Albeit in another sphere, we have the perfect illustration of the consequence of hubris such as this. IBM, in failing to understand its market and therefore its purpose, has destroyed its suzerainty over its erstwhile vassals, Intel and Microsoft. The Society in becoming exclusively elitist would risk the same fate. To concentrate upon the abstruse such as is exemplified by the Financial Reporting Framework, crucial though it is, without attending to the more simple and practical would be to leave a vacuum to be filled by others.

It is not sufficient, however, for the proposed structure to be predicated upon a defensive posture. It must have a more positive purpose. There must be some focus; something that lends coherence to the structure. The answer to what that "something" is can be determined by analysing the malaise which I suspect has precipitated this review in the first place.

The causes of the malaise are perhaps twofold. One relates to the incompatibility of ethics and greed. The other relates to the base of expertise. I do not intend to dwell upon the first; suffice to ask this question. How can honour, integrity and higher duty be reconciled with the overtly predatory practices into which we are encouraged to descend by our economic system? The efficiencies engendered by competition must be tempered by a collegiate or cooperative spirit.²

A profession exists in substantial part, it seems to me, to preserve, nurture and interpret for the benefit of society a body of knowledge crucial to the conduct of that society. Lawyers have the law, doctors have the human body, engineers the operations of applied physics and so on. If the canon is debased or the professional otherwise loses faith then the *raison d'etre* is lost.³

The question to be answered, ultimately, is: what is accountancy? Or put another way what is it that gives our profession shape, meaning and purpose? Whatever the organisational structure these questions must be answered if not in advance then certainly in parallel with its development.

Accountancy is the process by which one person or group of persons reveal the operations of an economic entity either to themselves or to other interested parties. This process of revelation has to take place within an agreed code or mode of presentation to ensure mutual comprehension.

The process is intended, the extra requirements of the taxation authorities aside, to demonstrate two central concerns: either that the entity's affairs have been properly or effectively conducted. Implicit, of course, is the fundamental necessity that these representations are valid; by which I mean in essence double-entry bookkeeping as practised by and since the Venetians.

² *As a practical example I attend a Solicitors Trust Interest Group which, incidentally, is extremely poorly attended. I always try to introduce points of interest or interpretation to make the sessions interesting. I do so on the basis that in the long term this will be of benefit to me through reciprocation. In the short term enhancing the capacity of one's competitors must be regarded as irrational.*

³ *This is perhaps why the ICAEW identifies that one of its core objectives was "To promote the technical advancement and reference of accountancy as the consequence of business" MANIFESTO TO MEMBERS*

Propriety, effectiveness and validity are the more important concerns of accountancy. I believe that effectiveness is the question which has preoccupied the developmental functions of the profession. It is a most tantalising question for, in the final analysis, it alludes to the possibility of commenting upon the future from a knowledge of the past.

This is a worthy pursuit but has tended to be the cause of neglect of such issues as validity. Validity is merely treated as a given. Unfortunately for very many accountants it is the only issue they are concerned with. They are content to be historians for the other aspects are dealt with informally; especially in a closed loop characteristic of, for instance, the proprietor controlled business.

Even a good accountant in this predicament is bound to become disenchanted. He/she will initially follow the accounting standards, the only code we have, but as they become more convoluted he/she will fall by the wayside. He/she has not achieved the goal, to provide true and fair accounts at least as the Society would have it, and so is no better than a bad accountant.⁴

The process of alienation is now almost complete. The new framework has effectively excluded the traditional accountant as it is devoted virtually only to publicly listed companies and government. It seems to be forgotten that many accountants, practitioners and otherwise, prepare only special purpose reports for those who do not specify their requirements. Such accountants no longer have benchmarks or codes to guide their activities.

Those "simple" accountants, such as dominate our practice, must have restoration of their code. A hierarchy of accounting needs be constructed. At its core will be a reaffirmation of the centrality of double entry and financial control. In simple terms operational standards must be created. They will make overt that which is tacit. Such standards will specify books must balance; that parallel records agree or are reconciled; that subsidiary records agree and so on. This is what "special purpose report" consumers assume they receive; be they banks, tax authorities or internal management. The basis is then laid for a quality assurance regime to be constructed in order to give these consumers objective evidence of validity.

On top of this foundation will come direct lineal descendants of which the Financial Reporting Framework will be the principal component. More tangentially but still related can be a series of specific industry or purposes related standards. In this category will be management accounting, forecasting, valuation, business planning, taxation accounting issues, tax itself perhaps, and so on.

⁴ *Having read the UK Audit Practices Board paper "The Future Development of Auditing" I increasingly believe the phrase "true and fair" has outlived its usefulness. It begs the absolute when there are only shades of grey. It precipitates doctrinaire behaviour, witness the ludicrous attempts by the ICAEW in the 1980s to have that morass of the arbitrary, CCA, as the final arbiter of truth.*

Truth, in my terminology, is more limited in application when considering validity than when considering effectiveness. It is true nevertheless. Some may find the notion of a relative absolute unpalatable.

In this way the core of the discipline forms a spine from which the remainder of the frame emanates. Seemingly disparate activities are constituents of a coherent whole.

To return to the ecclesiastical analogy with which this paper opened, the core of the discipline is the equivalent of the Nicene creed. Within the broad church that is Catholicism many operatives are content to have this as the extent of their theology. They coexist quite happily, and have done so for much of recorded history, with the most abstruse of theologians.

In short the sort of organisation being envisaged has parallels with human institutions that have exhibited remarkable longevity. At the Church's heart was a simple core of belief which has been subject to contrast reaffirmation yet the institution has managed a quite remarkable flexibility and adaptability.⁵

When the people lack a sense of awe, then some awful visitation will descend upon them.

*Lao Tzu
Tao Te Ching, Verse LXXII*

⁵ *I would not wish to extend the analogy too far for I find the notion of presidential infallibility unnerving.*