



Nishan Fernando

19th President Of The Institute of Chartered Accountants Sri Lanka

Induction Speech

March 3, 2008

It is indeed a pleasure and privilege to address this distinguished gathering as the President of the Institute of Chartered Accountants of Sri Lanka. At the outset I thank the membership of the Institute for giving me the privilege of serving as the President of your Institute and for the confidence you have placed in me in entrusting that responsibility.

I love this institution that I have had the chance to be a part of and been contributing to over the last

15 years since becoming a member in 1993. Since year 2000 when I was first elected to the council I have had the opportunity to serve the Institute in a more responsible capacity. During this period I had the privilege of working with the past presidents Ranel Wijesinghe, Asite Talwatta, Indjith Fernando, and Yohan Perera and the exposure I gained during that period will undoubtedly help me to perform my functions in the capacity of the President of the Institute.

This is our organisation. It is our child that, next year, will be celebrating its 50th birthday. The institute and its membership has been a great force in the society; it has been a respected authority; I believe we should take great pride in this and protect it. I have complete confidence in the capacity and commitment of the members of my Council to act in the best interest of the Institute and to direct this organisation in fulfilling its strategic objectives. They serve as an exemplary model of good practice in corporate governance, and do much to generate enthusiasm, participation, and consensus to help achieve its cause.

We need to respond to our stakeholders more effectively. These stakeholders include mainly the Members, Students, Employees of the Institute, Employers who employ our members, Training partners who train our students, Educational partners who provide learning facilities to the students, Regulators who seek our assistance in regulatory aspects and the Business community at large. In serving these multiple stakeholders it is inevitable that we will have to be flexible and also fall within the global trends that have evolved and are being evolved. We should continue to be players in a global perspective.

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Looking to the future, we can identify three principle strategic areas that we should work on with greater degree of commitment. These areas are interdependent and complement each other and we must have a good blend of all of them in order to ensure our Institute remains the premier National Accounting Body of the country.

Firstly we need to position our members in the market to be the number one choice

Our primary product, that is, our members need to respond better to the changing demands of the market. Today's employers are more demanding. Particularly they demand the ability to:

- communicate effectively;
- perform in the new technology environment;
- take a leadership role; and
- design more efficient ways to deliver the services

When we say employers, it is not limited to the country but to employers worldwide. Accordingly we have a challenge to make sure that our members are effectively marketable and cater to the demands of the employers.

We need to update and improve skills and competencies of our members and make sure they have the highest level of competencies and skills which has to be done through various means of education. Our profession can only meet the global challenges of the 21st century if we are prepared to deal with an increasing quantity of financial reporting, governance, and related audit requirements, greater complexity in business transactions, the ongoing emergence of new technology and the new demands of the market. Education provides the means to meet these challenges. If we do not see education as a priority in this direction, then we will be making a serious mistake.

Secondly we recognise that we have a responsibility towards National and Public Interest

From a macro point of view the Institute has a national role to contribute towards the social and economic development particularly in the areas of higher education, financial reporting regulation, and corporate governance in the country. Further we should work steadfastly on strengthening public confidence in the profession. We must position ourselves to remain relevant and effective in the society.



Thirdly Global Positioning of the Institute

Our members not only serve the local market. 30-40% of our members are serving in overseas. At least about 30% of our newly qualified members are taking on overseas employment in the early part of their careers. Unless the Institute has recognition internationally our members will not be able to find opportunities worldwide. Therefore we need to work on improving the level of recognition of our Institute and its qualification in the global markets.

We have developed a Strategic Plan incorporating these aspects and the action plans have virtually been finalised. That spells out the broad strategic direction in line with what I mentioned, having in mind the need to address and respond to the needs of our stakeholders effectively.

The first strategic area that we need to concentrate is the positioning of our members to be the number one choice in the market. Our primary role has been to produce marketable business managers who will look at things beyond number crunching. While we have been doing this right throughout we have planned to further improve this area.

I must reiterate that all the Presidents and Councils over the last eight years when I have been a member of the council, and the Presidents and Councils even before that, have given top priority to this aspect. We recognise that our members are the brand ambassadors who vouch for the quality of our institute wherever they go. Therefore it will be the top priority of my council too to ensure that we produce business managers who will provide leadership to the business organisations beyond the long outdated number crunching.

In this respect we need to look at two broad categories for strategy formulation. First, those who have already become members, and the other, the students who are aspiring to become members.

Firstly for those who are already members, Continuing Professional Development has been identified as a prime need of the day. Worldwide CPD has been structured. The world governing body IFAC through its Education Standards Board has stipulated the framework, standards, and guidelines on how CPD should be structured. The regional groupings such as SAFA and CAPA have already accepted and adopted them. Under the circumstances we could not be alienated and we do not want to alienate our members in the accounting world. Therefore last year we made CPD mandatory with effect from this year, something we should have done a few years ago.

We have planned to offer many more opportunities

for CPD from this year. The CPD committee chaired by Lakshman Watawala has already got the ball rolling on this aspect and you will see many CPD programmes being offered to you very shortly. The IT faculty provides programmes to develop IT skills together with the IT lab providing enhanced facilities for self development.

The Business School chaired by Yohan Perera is in the process of restructuring the courses offered to be in line with current trends and developments. These programmes will offer opportunities to those members who would prefer medium to long-term postgraduate level CPD programmes. The MBA program with USQ has become very popular and has been providing the opportunity to those who prefer distant learning CPD. The soft skills programmes that have been introduced will help the new members to develop their soft skills

From students point of view we have recognised our national duty to accommodate any student from any part of the country who want to become a chartered accountant. Therefore we have commenced an exclusive English for Accountancy programme to equip the students with language and communication skills so that we make sure by the time they pass out as chartered accountants they are not lacking with any of the skills that the market is expecting from them.

A new curriculum is being finalised which will be effective from 2009. The curriculum will be in line with the Educational framework and Educational Standards of the IFAC. The curriculum has been developed in such a manner it could be mapped with related degree programmes offered by the universities. Emphasis has been paid on IT and Ethics education in line with the new trends. Training has been made more structured and an integral part of the curriculum. The Examination area will be further strengthened to enhance the quality of the process and meet the demands. A special programme is in place to provide more and more training opportunities to our students particularly in the industry. We appreciate the support that we receive from the non audit sector organisations in this regard.

Next we have identified the National and Public Interest role to be played by the Institute. In this context we have planned for few other initiatives in the national and public interest.

The first of them is a project to introduce Public Sector Accounting Standards. The International Federation of Accountants of Accountants have formulated International Public Sector Accounting

Standards, non adoption of which by us could lead to a lower rating of the country in relation to financial reporting. The Governor of Central Bank himself will be very much interested in this move and I am sure we will have his support in this project. None other than Mr Swarnajothy, the Auditor General who is in the Council will be chairing the committee for this project.

As I understand in Sri Lanka out of a total of 120,000 students who pass Advanced Level examinations in a year, only around 20,000 gain admission to the University system. We have initiated a project with the blessings of the Honourable Minister to develop a strategy for the students to earn a degree in the discipline of Accounting and Finance. In many countries around the world it has now been realised that little or no benefit could be derived by academics and professionals working in isolation. Therefore the academics and professionals move face to face towards each other to reduce the distance between them and recognise each other mutually. We also need to do that. The committee on this project is driven by Mr Dharmarajah and Mr Jayasekera and we have already started various initiatives with some of the universities. I trust that we will get the support of the University Grants Commission for this worthy cause and be able to reach our goal.

The Institute is the statutorily authorised body to promulgate Accounting and Auditing Standards. We continue to be committed to this task otherwise we will be soon outdated in the global markets.

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We cannot consider that our duty is complete only by issuing the standards. We have to ensure that they are being complied with. We have a significant task ahead to implement Professional Quality Control Standards. The Council has taken a decision in principle to adopt the international quality control standards and introduce a Practice Review methodology which has been long overdue. This will ensure that the professional services provided by our members meet the global quality standards. In order to further strengthen the public trust placed on profession we will soon be adopting the latest Ethical Standards issued by the global body i.e International Federation of Accountants.

These aspects are directly relevant to the third strategic area I mentioned i.e. global positioning of the Institute. If we don't put these things on fast track and move fast on the direction of convergence with the rest of the world, our members will be perceived as members of a professional accountancy institute which is not compliant with the international regime of standards and best practices and consequently will gain no recognition in the global market. Furthermore from a country perspective our country ratings may get affected if the financial reporting and auditing of the country is not going to take place in line with international best practices. Therefore we should note that promulgation of Accounting and Auditing Standards, adoption of Quality control and Ethical Standards in line with International Best Practices is for the best interest of our own members, profession, and of our country.

The two statutory committees for Accounting and Auditing Standards chaired by two eminent past presidents Asite Talwatta and Lal Nanayakkara will put the convergence process on fast track. Without limiting our role to the mere statutory function we will continue to disseminate knowledge and provide application guidance through the two affiliated faculties, Financial Reporting Faculty and Audit Faculty chaired respectively by Richard Ebell and Tissa Bandaranaike. We will continue to provide interpretations on Accounting Standards through the Urgent Issues Task Force chaired by Sujeewa Mudalige. We have formed a special Committee for the purpose of formulating the methodology for implementation of Quality Control practices chaired by Lakmali Nanayakkara. New Ethical code has already been exposed for the comments by members.

We understand and appreciate our responsibility to contribute to the regulatory functions and will continue to work closely with the Central Bank of Sri Lanka, Accounting and Auditing Standards Monitoring



Board, Securities Exchange Commission etc.

Our Corporate Governance Committee who has been working jointly with the Securities Exchange Commission has finalised the Corporate Governance Code. The Company Law committee will be releasing the accounting and financial reporting guidelines on financial aspects of the new Companies Act shortly. Taxation committee has been constantly contributing towards fiscal policy making of the government which will continue.

We believe that we have a responsibility to contribute to the government efforts of developing education in the regions including improvement of IT and Communication Skills of the youth of our country. We have set-up regional knowledge centers to cater outstation students more effectively. We have been conducting seminars and training programs for schoolteachers all over the country to provide them knowledge in Accounting Standards and the new Companies Act. We have plans to join hands with ICT Agency to broaden this network to reach the remote areas and provide them the facilities to enrol and prepare for our programmes at least at the initial levels without having to come to Colombo.

The third strategic area I mentioned is the global positioning of the Institute. The initiatives taken, as I mentioned earlier, will set the platform to position the Institute and its qualification globally.

The world governing body of Accounting Profession IFAC has recognized our efforts and has appointed ICA nominees to its Education Standards Board and to the Consultative Advisory Group on Education. Our nominee was appointed to the Developing Nations Committee of IFAC too. The international Financial Reporting Standards Board, the Governing Body for Accounting Standards, consistently invites for ICASL nominations for its working committees and Regional Standards Setting Committees. Confederation of Asia Pacific Accountants has reappointed ICASL to its Board for another term. We continue to have our presence in the South Asian Federation of Accountants where our nominee Indrajith Fernando just finished his term as the President of SAFA.

Based on the recognition by the world governing body and through the initiatives taken we have already been able to regain recognition from some of the overseas institutions which were in danger at some point in time.

Based on the continuous efforts to maintain the educational standards, the University of Southern Queensland has assessed our qualification in par with that of the Institute of Chartered Accountants of

Australia. Accordingly with effect from this year our members who enrol for the USQ MBA would gain the same exemptions granted to members of the Institute of Chartered Accountants of Australia.

With this international presence and recognition we have been able to successfully negotiate mutual recognition arrangements with overseas institutes and further negotiations are underway. I must mention that all these recognitions we have gained are subject to consistent and stringent monitoring and review processes. If we don't fall in line with the international best practices we are at a risk of being eliminated. Therefore, as I mentioned earlier, we strive to be in line with those practices which will ultimately benefit our own members.

We have a good strategic plan incorporating all what I mentioned and many more. I believe it's a plan that is both relevant and achievable. The critical thing now is to execute this strategy. The objectives are there for us to reach, and I am confident that together we are going to reach them and even supersede them. I trust that the council would help me to move farther and faster down the course in achieving our goals. However it is not possible for just sixteen members in the Council to carry it forward on its own. Therefore I appeal to the entire membership of the Institute to contribute in some small way to strengthen our profession to face new challenges.

I am extremely honoured that Honorable Bandula Gunewardene, Minister of Trade, Marketing Development, Cooperatives and Consumer Services has graced this occasion as our special guest in spite of having to attend a meeting called upon by His Excellency the President. He has been working with us very closely since he has been appointed as the Minister whose purview under which the Institute affairs fall. I once again thank the Honorable Minister for the continuous support he is extending to us.

I am indeed happy that Nivard Cabraal, Governor of the Central Bank of Sri Lanka and our own Past President graced this occasion as the Chief Guest. He is the one who inducted me as a member of this institute almost 15 years ago and I am more than honoured to have him as the Chief Guest at this all important occasion of my induction as the President of the Institute. Mr Cabraal has been of immense support to our institute and I have all confidence that he will continue to support the activities of the institute in the future too.

During his last couple of visits here Mr Cabraal mentioned to us that the outlook of this auditorium and the Institute had not changed from what it

was when he was the President. He said that at his next visit he would like to see some difference but unfortunately he would not be able to see any difference today either. However you will see the difference soon as a special committee chaired by Sujeewa Rajapakse is working on a fast track programme to upgrade the physical infrastructure of the Institute.

Professor Gamini Samaranayake, Chairman of the University Grants Commission is naturally close to the Institute as both our institutions play major roles in the higher education field of this country. Sir, our active student population of around 25,000 is only second to the student population in the formal university structure in this country. Recognising this fact we were the only non-university higher educational institution who was qualified to receive IRQUE grant when it was originally granted three years ago. I am sure we will be able to work very closely with you in our efforts to provide higher education opportunities to the students of this country. I extend my sincere thanks to you for accepting our invitation to be present here as our Guest of Honour.

I will have failed in my duty if I do not pay my heartfelt respect to my parents. Even though I am not fortunate to have them live long enough to witness this moment it is the foundation laid by them which enabled me to progress thus far. It was my sister and

brother-in-law who was more like a second mother and father who, after demise of my father when I was 10, supported my mother to bring me up. If not for the singular responsibility and support of my brother in law to make a crucial decision in my career to quit the engineering faculty where I was in 1989 and pursue my career in accountancy, I would not have been here today.

My wife and two daughters have been patient enough to bear with me when I have not been in a position to attend to their needs sometimes due to Institute commitments. They have been sacrificing a lot over the past years. I am thankful to them and thank in advance for having to continue it for another two years. I also thank my in-laws and nephews who have made every effort to fill the gap created by my inability to be with the family to their best of their ability.

It is at B R de Silva and Company I had the foundation as an Articled Clerk to become a Chartered Accountant. I must thank Mr Nihal de Silva the Senior Partner of the firm and Mr Lincoln Piyasena my Supervising Member and the other partners and colleagues of the firm who have been supporting me right throughout my career. I also thank all my superiors where I have been employed throughout my career. Particularly I thank the Chief Executive Officer Otara Gunewardene and the Board Members of Odel where I am presently employed, for the flexibility and the support they provide to me in discharging my responsibilities at the Institute. I also thank my fellow officers, colleagues and staff of my department at Odel for all the support they extend to me.

I also pay my gratitude to my school Prince of Wales' College Moratuwa, where I was educated. I would like to thank the Principals and teachers of the school, the teachers who taught me in my CA course and other educational activities I was involved in.

The council can bring in the policies but execution of them depends on the staff of the Institute. I extend my sincere appreciation to all the staff of the Institute led by the Secretary / CEO Keith Livera who extend their best level of commitment in implementation of strategies.

Dear friends, the accountancy profession is standing strong and looking ahead. We have a clear plan. We are committed. We must act to give effect to that plan. Together we can work to become a better, stronger and more effective profession. Together, we can shape a future that protects the public good and that makes the world, simply, a better place to live.

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