

# **Accountancy Profession: Bridging the Expectation Gap**<sup>1</sup>

by

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The Honourable President of the Islamic Republic of Pakistan  
Distinguished guests  
Ladies and gentlemen

It gives me great pleasure to be here to partake in the topical discussion on “How to bridge the Expectation Gap” going on among auditors, accountants, stakeholders, corporates, and regulators all over the world. I must commend the Institute of Chartered Accountants of Pakistan (ICAP) for organizing the event on this important theme.

Accountancy is a profession that plays a significant role in all societies. It is critically important for the conduct and good governance of any business within a transparent framework. The expectation gap is presently one of the key issues that the accountancy profession is faced with – it is one of the root causes of the lack of confidence in the profession and its role in the economy in general and corporate society in particular.

The expectation gap arises when there is a difference between the auditor's performance and society's expectation of auditors' duties and responsibilities. In order to establish some degree of consensus between society's expectations of auditors and the duties and responsibilities of the profession, it is imperative that attitudes be modified.

While we must educate the users of financial statements about the role and the extent of the responsibility of auditors, it is largely the accountancy profession that will have to review and improve its performance in line with the public's expectations.

## **Ladies and Gentlemen:**

While the auditors are the best judge as to how they can improve the credibility of their reports, there is no doubt that deliberations at this conference would provide them with further fruit for thought for up-gradation of their procedures. Some of the areas, where I feel there is room for improvement, are as under:

- We should improve our professional ethics and actively monitor the observance thereof. Auditing firms should set out their own ethical policies in a code and have monitoring procedures in place.

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<sup>1</sup> Speech delivered at the ICAP conference in Lahore Pakistan on 16 April 2004

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- Threats to auditor independence need to receive greater attention in the corporate governance process and by auditors themselves.
- Audit standards and regulation need to be strengthened. International Standards on Auditing (ISAs), once adopted, should be religiously followed.
- Audit effectiveness needs to be raised through greater attention to quality control process.
- Accounting and reporting practices need to be strengthened and financial statements should provide additional information on operational and financial matters to make these easier to understand.

The above list is by no means exhaustive. The expanding globalization of business and investments is driving increasing interest, as well as pressure, to enhance the quality of financial reporting throughout the world. The accountancy profession in Pakistan will have to gear up to meet these challenges by improving their work quality, ethical standards and general practice of their profession.

#### **Ladies and Gentlemen:**

The Institute of Chartered Accountants of Pakistan has gained maturity having been established in 1961 by the Chartered Accountants Ordinance, 1961. The Institute, over a period of more than four decades, has played its role effectively in regulating, promoting and developing the accountancy profession in the country. The standards set by the Institute and its achievements are acknowledged nationally and internationally. It now has a membership of over 3,500 accounting professionals. These members are serving within and outside the country in diversified areas with distinction, in both public and private sectors and making tangible contribution towards the country's economy.

I urge the professionals in the field to raise the quality of their services to international standards and strive to strengthen society's confidence in financial statements.

While the public expectation gap can be bridged through enhanced information, education and communication, public reliance would still need to be protected through regulatory intervention.

Thank you.