Role of Chartered Accountant - Going Forward - 2013 [Collation of some thought]

**Background**

In the early days businesses were small and managed by the involved person. The owner, financier, operator, seller, purchaser were one and the same. As it grew, the need for someone to keep the record of the financial aspect was delegated to a book keeper. As businesses grew complex and the person in charge and the owner got divided, the banks who extended loans were interested, tax authorities and government got involved. To lend authenticity to the statements for various stakeholders use, a professional was to confirm the same.

In the last 2 decades we have seen that compliances under various laws have made running a business quite a challenge as all additional services cost money. We have also see that while orally appreciating the need of affirmation from a professional who is to apply the latest standards and qualify/ record reservations on incorrect practices, we have become cost centres. Once we are a cost centre then, the need to cut costs being a high priority in the competitive world we have also felt the heat.

Lately the professionals have also realized the same and are trying to add value by providing services of outsourcing, operations audit and consultancy in business advisory, value creation, tax, regulation and finance among some more specialized services.

It is not uncommon to hear that the client/ employer is unwilling to pay the fees or delays the same inordinately. Even when all services in all taxes, attest and advisory is all in one lumpsum. This practice however appears to be more
prevalent in the smaller cities. In employment though the knowledge of the CA is second to none, employers feel we have not honed some of our capabilities.

In my view the more the value we offer the client/ employer, the same is bound to be remunerated quite happily. To deliver this value we require to have certain qualities and skills. This article has been written for the practitioner, but could be equally effective for a CA in employment.

**Specific Qualities/ Skills for a CA in practice?**

**Integrity:** In ethics, integrity is regarded as the honesty and truthfulness or accuracy of one's actions. This also means taking up work/assignments which are commensurate with ones values. For instance, if a certain Government department is renowned for its willingness to be corrupt, a chartered accountant who is averse to bribing may seek not to provide liasoning services at time of registration of assessee/client/ employer etc.

Integrity can be regarded as the opposite of hypocrisy. As such, one may judge that others "have integrity" to the extent that they act according to the values, beliefs and principles they claim to hold. For example, if you exaggerate a client/employer's problem to increase your income, you run into problems. Not disclosing a material fact is also having lack of integrity. By being assertive one can bring forth the courage of putting ones view confidently without fear and not to dominate others/ undermine their point of view.

A Chartered accountant should be straightforward and honest in all professional and business relationships. For example, he should not be associated with information which they believe contains a false or misleading statement.

**Objectivity:** Objectivity is a state of mind, a quality that lends value to a member's services. It is a distinguishing feature of the profession. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest. Independence precludes relationships that may appear to impair a member's objectivity in rendering attestation services.

Members often serve multiple interests in many different capacities and must demonstrate their objectivity in varying circumstances. Members in public practice render attest, tax, and management advisory services. Other members prepare financial statements in the employment of others, perform internal auditing services, and serve in financial and management capacities in industry, education, and government. They also educate and train those who aspire to admission into the profession. In providing all the services, a member should maintain objectivity and avoid conflicts of interest.

Whether the Chartered Accountant has misused his position to secure undue advantage is not as important as passing over such offices that come into direct conflict with his area of practice. For instance, if the clientele is mainly composed of builders/developers, the practitioner should not be part of committees which can influence policy making related to construction industry.
Professional competence and due care: In order to be competent a professional should acquire the knowledge and skills for job. He should be aware of the technical and professional standards/developments. Keep up with the current developments in law and practice. A person who is not updated would be obsolete within a year. Add to capabilities by joining some additional courses, for instance, IFRS training, IDT certificate program of ICAI. The assignments whether related to financial statements, or issuing of opinions should be done carefully, on a timely basis. The limitations should be communicated to the client/employer or other persons who depend on our work. For instance if it is not possible to change from abatement for ongoing construction contracts to composition under works contract, tell in so many words, even risking displeasure of the client/employer.

A CA has to maintain professional knowledge and skill at the level required to ensure that a client/employer or employer receives competent professional service. This requires him to act diligently and in accordance with current technical, professional and legislative requirements when engaged in professional activities.

Confidentiality: The chartered accountant is privy to a great deal of information relating to financial statements, records, forthcoming mergers/acquisitions by listed companies. There would be an unspoken obligation of non-disclosure of details acquired in course of work by the CA. Remember, the disclosure can be done when the client/employer has instructed to do so or there could, however, be times when there is a legal or professional duty to disclose information to third parties (for example where a criminal act has been committed).

But at every point care should be taken to ensure that the information is not used for any personal advantage of the professional, pecuniary or otherwise. This aspect should also be built into the social environment so that the professionals are equipped to preserve confidentiality.

An accountant should comply with relevant laws and regulations and should avoid any action that discredits the profession.

Professional behavior. The laws/regulations are meant to be followed. Strive both in office and personal life. Do not discredit the profession while promoting oneself. Do not make exaggerated claims about self and disparaging references to others or their work. Do not make unsubstantiated comparisons. The best approach is to take responsibility rather than shirking.

Effective professional through his behavior uses the group efforts to improve things. Because professional believe in other peoples ability and potential, delegation is not an issue so their style of supervision is adapted for each individual. Do not focus on people's weaknesses but instead, try and develop their strengths. Be so positive and have such a strong belief in people, that others live up to your expectations.

Versatility: One differentiating aspect is that due to our CA course we can learn any subject. Examples are there in front of us of some of us who have become CEO, CIO, built practices in regulation and IDT. We know that we can learn new areas and should capitalise and seek new areas where there is no specialization and venture there. All CAs would refer work to a CA rather than another professional as long as there is no threat.
All such basic skills would assist a Chartered Accountant to achieve client/employer focus. It may also have an incidental advantage of retaining competent people who may not look out for greener pastures. This in turn would enable him to attract and retain his client and have the goodwill of the employer. The client/employer’s needs are to be understood in terms of what is important and valuable to him. This would translate into what is expected from us as an auditor/consultant/employee. Automatically the client/employer would appreciate this approach and be willing to pay for such services.

We all are leading busy lives, where people are hard pressed for time. But since we are here to serve client/employer proper communication would be the key. Only when we know all facts can we give an informed solution to the issues of client/employer. This necessitates not just hearing but also listening to the problems which are not verbally expressed by client/employer.

**Objectives of listening**

The objectives of listening in different circumstances could be different for different people. Some of the common ones are:

- To understand what others are saying
- To respond appropriately to questions/observations
- To fulfill the informational/knowledge needs
- To learn (seminar, classes)
- To enjoy oneself (great inspirational speaker, music)

**Suggested methodology for Listening Fully**

The possible steps to effective listening could be: undivided focus/attention; appearance of listening; avoiding judgments; and respond appropriately.

**How to Focus/Provided undivided attention:**

a. Look at the speaker directly while listening: This limits the possible distractions of others/views.

b. Have an inviting body language to encourage the speaker to feel free to communicate.

c. Be open minded and willing to listen.

d. Do not side talk to people next to you and do not encourage that from others.
Listen to the body language of the speaker and many unsaid personal views (maybe relevant or not) would be observed.

Avoid circumstantial disturbance. (Cell phone, telephone, visitors, simultaneous appointments, people walking into room etc.)

**Appearance of Attention**

Normally human beings follow signals indicating some action. For example puffing up the chest and looking up gives us a feeling that things are great. Once we appear to be listening, automatically real listening would follow.

- Have a positive body posture
- Nod occasionally
- Don't interrupt
- Agree to listen to the speaker even if you have different views
- Have a smiling countenance
- At end ask clear and open ended questions and avoid argumentative ones.

**Avoid Judgment**

All human beings are essentially judging at almost all times either positively or negatively. This leads to conclusions which may not be what the speaker intended to convey. The possible ways to avoid this are:

- Don't start from beliefs
- Don't assume knowledge of what is being spoken
- Postpone judgment or defer or drop the judgments as they come up during the time when other is speaking

**Responding Appropriately**

Most often our agreement and more specifically disagreement clouds our listening. Some tips could be:

- Show respect – avoid holier than thou attitude
- Involve with the speech and avoid ignoring
- Acknowledge the contribution
In conclusion of this segment listen to people the way you would like to listened to i.e. fully, respectfully and in an interactive manner. The benefits of listening would lead to an empowered and contented practice, great relationships with people whether at home/ office or friends. Wish you all great listening for an empowered and joyous communication.

At this stage we may find ourselves in A, B or C/ If so read and take action as under as a preparation to develop your skills to further serve client/ employer fruitfully as under:

**Step 2: Prepare a List of Client/ employer Profile with available inputs:** A data sheet with the products, type of business, growth, profitability, financial comfort, major issues in past can be prepared. While preparing this one useful aspect is that areas where we need some information would crop up. Ask and fill up that in the profile. In time this profile could be a useful tool to be used by anybody before they provide any service to the client/ employer.

**Step 3: Client/ employer Feedback:** Interact and know his needs, what he expects and values: Take his time and go with a set of questions. Over time one would become an expert in this interaction. More listening and less talking is necessary here.

**Step 4: Define the present services:** Examine the streams of services and methodologies which meet client/ employers expectations and which ones are not met: This would ensure that the quality of ones services would be improving and become more client/ employer centric.

**Step 5: Cost-benefit analysis:** Take a status check after 6 months to see what has been the effect of the exercise and whether the client/ employers are more satisfied and whether the same in converting into better experience for you while adding monetary value also.

**Step 6: Deliver more than his expectations:** Keeping the client/ employer in the “wow” state ensures that your client/ employer is your salesman/woman. They would talk to their friends about the high level of your service. Ensure a flow of client/ employers who have already been sold about you. An enviable position.

**What are the areas to focus in order to improve himself?**

**Focus on knowledge – new and updation:** Ensure that there is adequate knowledge of the Finance Act changes, impending DTC, GST, latest case laws. Make time each date to improve skill sets atleast for an hour. Enroll for study circle membership, attend CPE seminars.

**Focus on members opportunity – incidental function:** The by product of ethical practices is more reliance on CA's which leads to more professional opportunities. When the work is its own reward, the accolades would follow. Do not resort to undercutting as this brings down the entire profession.
Empowering the Staff/ Junior partners – Delegate - Select Competent persons not Yes men: Develop a second rung of leadership. This can involve:

- Clearly identify how delegation fits into your job and how it can make you more successful. It saves your time and you can do more.

- Identify different ways of delegating tasks. Delegate the tasks based on skill sets of group

- Give better instructions for better delegation results. Elaborate on what is required. For instance, say scope of work, time frame, possible sub-delegation.

- Ask better questions and listen more effectively. Ask why a particular option was chosen. For instance, ask of subordinate why discuss job work concept where the entire transaction is on sub-contract basis.

- Recognize common delegation pitfalls and how to avoid them. The most common is to put wrong person to a task. For instance, giving a indirect taxes assignment to a international taxation specialist.

**Disagree but not disagreeable:** Learn to disagree without alienating group.

a. Ask questions until you understand the others point of view.

b. I would never tell you to discard your convictions, but do remain open to suggestion, and do seek clarity.

c. Use phrases like “In my opinion,” “I believe that,” or “In my experience,” to make it clear when you’re expressing a matter

d. Effective non-verbal communication sets the stage so:

- Smile to communicate friendliness and acceptance.

- Sit up straight to project confidence.

- Keep an open body posture (no crossed arms or legs) to communicate openness.

- Speak in a relaxed manner (mind the tone of your voice!) to project calm and clarity of thought.

- Make appropriate eye contact.

- Nod when the other person speaks – this communicates understanding, not necessarily agreement.

- Another trick to communicate understanding without compliance is to periodically say, “I understand,” or, “I hear what you’re saying.”
· Unless the other person a difficult personality that forces you to interrupt to get in a word in edgewise, let him finish his thoughts before offering yours.

**Have a measurable target and monitor the same:** Ensure that you get the group to reach the goals set. We at H&A will conduct 10 programs in the year 2103-14 on topics of interest to the clients.

**Nurture academics/faculty:** Ensure that the faculty/academics are given due importance. This is because they would train the students, who are going to be CA's tomorrow.

**Follow the CPE advisories in form and spirit:** Ensure that CPE seminars are attended/approached as an opportunity to broaden intellectual horizons. This would enable a better practice. It should be remembered that with great power there comes great responsibility. Leading by example would be one means by which we can create the next generation of leaders.

**What is the take away from the above?**

Can we answer the following questions?

a. Will you be the same person at work? At home? In the community?

b. Will you have the courage to live out your values when there is pressure to compromise or rationalize?

c. How do your values contribute to the common good?

**[Tips] Best Practices for CA in practice:**

a. Treat all past and long standing client/employers just as you would new and potential client/employers.

b. Be prompt in your response to their queries.

c. Be flexible and accommodative without losing independence or respect.

d. Seek continuous or periodic feedback on what the client/employer thinks.

e. Take advantage of opportunities which present themselves. Remember that when you say we give up someone else says what a great opportunity!

f. Be polite and train yourself in excellent communication skills by various modes such as by mail, written word or oral.

g. Examine what common value adds can we provide the client/employers: Examples being updated, interesting/relevant information shared; important due dates being reminded etc.

h. Ensure that we are abreast of the latest practices in accountancy, audit, systems.
i. Changes in law like the Companies Act, Direct Taxes code and GST all should be studied keeping in view the beneficial interpretation of these provisions in the interests of the client/employer.

j. Get masters in the respective fields of an auditors practice and organise seminars/interactive session if your client/employers are interested. This would help you to solve client/employer's problems even before they arise. Have a loose network and have clear and simple rules. Invest in trust which is sadly lacking between professionals as well as staff.

**How to ensure professional skills empower your employees and organization?**

**Self Interest:** Place your organization first. The selfishness should be only to extent of striving for personal/professional improvement, but not at cost of others. Would you take a pay cut if it means the very survival of your organisation and its stake holders?

Mentor and develop people whom you believe will rise to future leadership roles. Do not view them as a competitive threat, but rather, nurture them as protégés. This will ensure that your organization will continue to thrive even after you're gone. Remember it could be someone else’s dream too.

**Self Review:** Maker/ Checker: When a previous decision is to be re-evaluated - you cannot audit your own work. Where a professional begins to believe in his infallibility and perpetuates wrongs, example signing a Balance Sheet that is fudged, remember that you are not just a person earning a livelihood. You are being relied upon. If you can act as a checker and start introspecting honestly on the impact of actions, it helps to be on track.

For the organization investigate the failures that your team has made, but steer the focus away from blame. Instead, focus on how to improve the circumstances so that those same mistakes can be prevented.

**Advocacy:** If the CA promotes or supports an opinion to the point where subsequent objectivity may be compromised. In such case, share the pride you felt in building your organization. Invite diverse people to express their viewpoints. Ask people to share their opinion. Refrain from "knowing" the right answer already when you hear people talk. Invite shy or quiet people to speakup. Ask your team to identify how its project helps the common good.

Many leaders mistakenly ask the same trusted clique for advice repeatedly, rather than looking for new ideas.

**Collective Leadership:** Assign leadership roles to everyone on your team. Delegate specific tasks to certain team members, give them tools, resources and boundaries, and then get out of the way and allow them to be the leader over their portion of the project. This is known as “collective leadership.” This helps to avoid stagnation of opportunities as all members of team consider the growth of the organization as their own growth. They would have a larger pool of client/employers, leading to not overly relying on a single client/employer. Be gracious with various stakeholders in your organization/team. Ask yourself-IIs the team collectively responsible for the project's outcome?
Think about the results that your team will achieve -- not about the results, fame or promotion that you personally will achieve.

**Intimidation: Personal / other loss:** Do not expect your way to be accepted as the right way. A CA may be stopped from acting objectively by obstacles-challenges, threats. Let others say what they wish to. If in industry, be the whistle blower on an organization that is only window dressing its financial position.

When Chartered Accountants try to live by different rules as against those that apply to the rest we ultimately fail to achieve what is best for the group as a whole. As a consequence, there must not be a different code of morality for Chartered Accountants

**At the end, I would like to emphasise on ethics. Ethical living can actually make us successful professionals.**

**What is success through ethics?**

a. **It is the right thing:** Ethics helps us to keep moral high ground. Our work is stronger as it is right.

b. **Increased client/ employer [stakeholders] loyalty:** The client/ employer would trust us, get us good profile, helps in better practice.

c. **Enhancement in image/ brand of branch SIRC and finally ICAI:** The value of SIRC and ICAI would improve. More persons would want to enroll into the profession.

d. **Corporate Citizenship enhances professional performance and higher returns:** The performance improves due to corporate backing. The results for social growth would be better.

e. **More effective recruitment/ retention:** There would be better focus on staying on in organization, which would be more ethical in line with its employees /team.

f. **Better morale, loyalty, productivity:** Where ethics is fountainhead of professional work done, there is no scope for fear, morale is good, this translates into better work place, knowledge sharing and better growth of organization and nation building.

In the experience of the paper writer the adoption of high ethical values is the largest adder of value to the professional. We have a case study in Bangalore where many of the IDT practitioners who follow ethical practices have the lions share of litigation. It is a matter of pride that most of them are Chartered Accountants or CAs who took up law after a period of CA practice.

*Madhukar N Hiregange FCA*
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CA NILAMANI MOHANTY

Very nice article. Truly...

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PADMA

very true many ca s are now pursuing law

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SATHISH M

A reverberating article of substance, thank you very much sir.

Reply Like

SUNISH

The words "the same" is used 4 times in the first 5 paras. I didn't read the rest because I don't want to keep on reading the same. :-)

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Good detailed article, Sir. Thank you very much.

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