

# REGULATION OF ACCOUNTING FIRMS: EVIDENCE FROM FIJI

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## ABSTRACT

*Ever since the major corporate collapses of Enron in the United States and HIH Insurance in Australia, the public accounting profession has come under global scrutiny. Both collapses had one thing in common, the auditor firm, Arthur Anderson. Many lessons were learnt from these failures which saw both jurisdictions taking counter-active measures either through enactments of new legislation or establishment of oversight bodies aimed at tightening control over practicing public accountants and auditors. In the Pacific region, developing countries such as Fiji have also experienced corporate calamities. This paper explores the need to regulate chartered accounting (CA) firms in Fiji following three major financial mishaps: the National Bank of Fiji, the Fiji National Provident Fund and the hardware industry. To gather data, we conducted in-depth interviews with the Commerce Commission of Fiji, the South Pacific Stock Exchange, the Fiji Institute of Accountants (FIA) and partners from the top four CA firms in Fiji, namely, KPMG, PricewaterhouseCoopers, Ernst & Young and G. Lal & Co. The results showed that the FIA and the CA partners were pro self-regulation while other interviewees showed strong support for regulation by an independent oversight body.*

**JEL:** M4

**KEYWORDS:** Regulation, chartered accountants, self-regulation, oversight body

## INTRODUCTION

Much has been said and written by scholars and accounting practitioners about major corporate collapses such as Enron and HIH Insurance, which involved gross negligence on the part of their auditor firm, Arthur Anderson. These corporate disasters marked the move towards more stringent regulation of the accounting profession in both the United States (US) and Australia.

In the US, for example, the Sarbanes-Oxley Act (SOX) was brought into force in 2002, which in turn created the Public Company Accounting Oversight Board (PCAOB). The PCAOB has been empowered to set and enforce auditing, attestation, quality control and ethics standards for public companies. The Board also has powers to inspect and discipline public accounting firms that audit public companies (Gay and Simnett, 2007). In Australia, the Corporate Law Economic Reform Programme (Audit Reform and Corporate Disclosure) Act, known as “CLERP 9”, which came into effect from 1 July 2004, amended the *Corporations Act 2001*. It strengthened the financial reporting framework, ending the era of audit self-regulation in favor of the Financial Reporting Council (FRC) (Robins, 2006). Additionally, the corporate collapses saw increased involvement of professional bodies such as the Australian Securities and Investments Commission (ASIC), the Urgent Issues Group (UIG) and the Certified Practicing Accountants (CPA) Australia.

These corporate failures also have implications for emerging Pacific Island economies, such as Fiji, where three of the Big Four chartered accounting (CA) firms such as KPMG, PricewaterhouseCoopers (PwC) and Ernst & Young have set up practices. These firms audit the sixteen listed companies on the South Pacific Stock Exchange (SPSE), as well as other non-listed companies. The practice of these firms has also spread to other Pacific Island Countries (PICs). Fiji adopted the International Financial Reporting

Standards (IFRS) in 2007 (FIA Annual Report, 2009) and the practices of these CA firms are dictated by these standards. Unlike its overseas counterparts, there is no independent oversight body in Fiji to monitor these audit firms or to take disciplinary action. The profession is currently subject to self-regulation through the Fiji Institute of Accountants (FIA), the only professional accounting body in Fiji. However, the FIA only has the mandate to control its members and lacks jurisdiction over non-members. Additionally, practitioners from CA firms dominate the membership of the FIA. Thus, the FIA has gained a monopoly status with limited (if no) scrutiny by the community and other stakeholders.

Fiji has also experienced its share of corporate calamities. The multi-million dollar saga involving the National Bank of Fiji (NBF), the misuse of public funds by Fiji's superannuation body, the Fiji National Provident Fund (FNPF) and the recent allegations against the hardware industry on their dubious pricing practices have questioned both the reliability of audit opinions and auditor competency. Who is answerable for these calamities on behalf of the accounting practice? Can the current regulator (the FIA) independently monitor, question and regulate the accounting practice in Fiji?

Therefore, this paper discusses the perspectives of various stakeholder groups, that is, the Commerce Commission of Fiji (hereafter, "Commerce Commission"), the SPSE, the FIA and the partners of CA firms. We sought their response on the current state of regulation of CA firms and the accountancy profession, the adequacy of the role of the FIA and the need (if any) to establish an independent accounting oversight body in Fiji. To gather data for this study, we conducted in-depth interviews with representatives of the above-mentioned stakeholders.

This paper has six sections. Section 1 examines the literature. Section 2 states the methodology. Section 3 provides an overview of the FIA and its role in Fiji. Section 4 describes the accounting crises in Fiji. Section 5 discusses the results of the interviews. The final section concludes the paper and highlights the implications, limitations and recommendations of this research.

## LITERATURE REVIEW

The past several years have witnessed a widely perceived ethical breakdown of a trusted fiduciary institution that has been the epicenter of a number of financial scandals: the public accounting profession. Enron, WorldCom, Global Crossing, Tyco and other corporate collapses were widely seen as a failure of the profession, which is commonly viewed as a public watchdog of the honesty and accuracy of corporate financial statements they audit (Strier, 2006). According to Ball (2009), in several of the scandalous cases, Enron in particular, investors were alleged to have been misled by financial statements that were in technical compliance with the US Generally Accepted Accounting Principles (GAAP) but that did not reflect the economic substance of the transactions that were reported.

Lenard, Alam, Meonske and Pearson (2005) state that individuals and various organizations may be less willing to invest in stocks and bonds of large public companies because of a belief that accounting numbers disseminated by these entities can no longer be trusted as the accounting debacles have raised serious questions about the integrity of financial reporting. In the aftermath of such corporate scandals, legislators and investors have struggled with questions of how best to regulate the accounting profession and the implications of unethical financial reporting. Grumet (2002) argued that whether to regulate the accounting profession or not is not the real question because the answer is so obviously, yes. The real question is whether the profession and the regulators are willing to do it in a way that restores investor confidence in our capital markets and serves the public rather than their own agendas. According to Roberts and Kurtenbach (1998) as cited in Hassan (2008), "regulation" refers to legislative, administrative and professional controls over various aspects of accounting activities performed in the private and public sectors.

In response to these scandals, substantial changes took place in the approach to accounting rule-making, auditing standards and regulation of accounting firms, including auditor independence issues (Grusd, 2004). Miller and Pashkoff (2002) classified the SOX as a major reform package mandating the most far-reaching changes Congress has imposed on the business world. It seeks to thwart future scandals and restore investor confidence by, among other things, creating the PCAOB, revising corporate governance standards and significantly increasing criminal penalties for violations of securities laws. The operations of the PCAOB are subject to direct and substantial oversight by the Securities and Exchange Commission (SEC). Hill, McEnroe and Stevens (2005) conducted a survey of CPAs in the US two years after the introduction of SOX in order to determine auditor reactions to SOX and the PCAOB. Of the 1,200 CPAs surveyed, the authors received 336 responses. Respondents claimed that it was not the lack of auditing and accounting standards that led to corporate accounting scandals and audit failures, but rather a lack of vigilant monitoring and vigorous punishment of unethical behavior. Notably, 73% of the respondents agreed that an independent third party, the PCAOB should conduct investigations and impose sanctions upon auditors.

With the passage of the SOX, the role of the American Institute of Certified Public Accountants (AICPA) also changed. The PCAOB now oversees accounting firms with respect to services performed for publicly held corporations and the AICPA maintains its regulatory role for non-public company audits (Brody, Coulter and Jewell, 2006). It is clear that the SOX reforms significantly eroded the relatively high level of autonomy and self-regulation formerly enjoyed by the accounting profession in the US (O'Connell, Webb and Schwarzbach, 2005). To compare the US reforms with that which took place in Australia, while the accounting profession in Australia has lost some of its sovereignty, the profession still maintains significant influence in key bodies such as the FRC. Australia has no equivalent of the PCAOB, although the Ramsay Report of 2001 recommended the formation of a similar entity called the Auditor Independence Supervisory Board (AISB). This Body was not included in the CLERP 9 law reforms. Rather, the FRC and the ASIC share the many tasks that a body such as the PCAOB would undertake (O'Connell, et al., 2005).

Robins (2006) argues that regulatory reforms in the US considerably influenced the Australian response to corporate collapses. Although scandals and bankruptcies began earlier in Australia, the American response to the corporate failures was swift and came sooner. The Australian responses may be viewed as ill coordinated and weak, when compared with the apparent rigor of SOX. This was inevitable given the larger place in Australian tradition of voluntary codes of conduct, as opposed to prescriptive legislation. Australia has also given plenty of time for businesses, the accounting profession, shareholder organizations and others to participate in the public debate.

Chamisa (2000) and Xiao, Weetman and Sun (2004) as cited in Hassan (2008) suggest that as the economic environment revolutionizes so does the demand and use of financial information, leading to the development of new financial accounting regulations. According to Samuels and Oliga (1982) as cited in Hassan (2008), the procedure for developing accounting regulations in less developed countries has become more vague and theoretically complex, yet the desire to develop domestic regulations in accordance with international ones, or as they argue to harmonize them, seems to continue.

Against this background, we attempt to show how Fiji faces the daunting task of restoring public faith in the accounting profession. The country has much to learn from the US and the Australian regulatory and legislative reforms. It is imperative for such developing countries to involve regulatory bodies and the accounting profession in its reform process.

## METHODOLOGY

To gather data for this research, we conducted in-depth interviews with four stakeholder groups: the Commerce Commission, the SPSE, the FIA and the partners of the top four CA firms operating in Fiji, namely, KPMG, PwC, Ernst & Young and G. Lal & Co. We digitally recorded the interview sessions, which lasted approximately 30 minutes each. The Commerce Commission and the SPSE are non-accounting bodies who were selected to provide an independent perspective. The Commerce Commission is a statutory body, charged with the regulation of competition, consumer protection and pricing of goods and services offered in markets with lessened or limited competition. The Commission had initially prompted the issue of regulating CA firms following its investigation on the recent hardware-pricing crisis.

The SPSE has the responsibility of facilitating trade in securities on the stock exchange. As part of SPSE's Listing Rules, listed companies are required to submit financial reports, these being audited by the CA firms. Thus, the interview sought to determine compliance levels of CA firms with the securities laws as well as the accounting and auditing standards expected of them. Given that FIA is the professional body, which is currently overseeing the accounting profession in Fiji, it became crucial to obtain their stand on the issue of regulation. The reason for selecting partners of the top four CA firms is that they are presently subject to great scrutiny by stakeholders who are demanding increased regulation and monitoring of the public accounting profession.

## OVERVIEW OF THE FIJI INSTITUTE OF ACCOUNTANTS (FIA)

The *Fiji Institute of Accountants (FIA) Act 1971* (hereafter "the Act") came into force on 11 February 1972 and provided for the establishment of the FIA. Section 6(b) of the Act states that one of the purposes of the Institute is to "register accountants and to regulate the practice of the profession of accountancy in Fiji". The management and control of the FIA lies with an elected Council comprising of nine members. The Council has powers to make rules with respect to the professional conduct of its registered members, make by-laws for sound accounting practice, act to prevent illegal and dishonorable practices, promote the interests of the accountancy profession as well as regulate the conduct of members of the FIA (Section 28(1), *FIA Act*).

To assist in regulation of members, the Council has powers to appoint an Investigation Committee (IC) and a Disciplinary Committee (DC). Both comprise five members, of which three members are from the FIA Council. FIA also has various other committees such as the Professional Development Committee, the Act & Rules Committee, the Membership and Admissions Committee, the Accounting and Auditing Standards Committee as well as a Surveillance Panel Sub Committee (FIA Annual Report, 2009). Practitioners from the CA firms dominate the membership of these committees.

The Institute has approximately 681 members registered in accordance with the provisions of the Act (FIA Annual Report, 2009). Singh (2010) states that of all professional bodies in Fiji, FIA holds the highest respectability and professional status and that the profession consists of the most powerful movers and shakers in Fiji.

## ACCOUNTING CRISES IN FIJI

The accounting profession in Fiji has come under the spotlight. Various stakeholders such as the Government, the Commerce Commission of Fiji, the Consumer Council of Fiji and the public have begun to question the role of auditors following three major accounting crises involving the NBF, the FNPF and

the hardware industry in Fiji. These stakeholders are now calling for stringent monitoring and regulation of the accounting profession via establishment of an independent accounting oversight body.

The NBF formally started in 1976. Its predecessor, 'Savings Bank of Fiji' was in operation since 1907. The transition from a 'savings' bank to a 'commercial' bank began in 1973 after Fiji gained independence in 1970. According to Karan (2010), the NBF served a majority of Fiji's small-scale savers rather than major commercial customers. In 1974, the Government gave powers to the Managing Director of Finance to grant a waiver to the provisions of the Banking Ordinance, which required placing a limit on the loans to a single customer. This high-risk action was necessary if the bank was to have any chance of being profitable as a commercial bank. In 1984, the then Minister of Finance gave a broad waiver of the "25% equity rule" which allowed NBF to loan out large amounts for rehabilitation programs after a series of natural disasters. The 1993 audit by the Auditor-General's office revealed that this waiver was applied to all lending by the NBF.

After 1987, new leadership in NBF led to further abuses such as kickbacks, giving interest-free loans to friends, acceptance of non-competitive tenders and approval of large loans with inadequate security. No corrective action took place to address this malpractice. An external audit report by Aidney-Dickson in 1994, revealed that NBF operations were fundamentally flawed and the institution was bankrupt for some years (Karan, 2010). Lodhia and Burrirt (2004) state that even though the NBF problems were evident, neither the Government, nor the NBF Board and the Reserve Bank of Fiji (RBF) interfered in the management of the NBF. This was also supported by a Former High Court Judge, Justice Nazhat Shameem who stressed that neither the RBF nor the Auditor-General's office and the Ministry of Finance corrected the interpretation of the "25% equity rule" (Wise, 2010).

Lodhia and Burrirt (2004) further note that it was not until the situation got out of control in 1995 that these parties reacted. Prior to this, the results of NBF showed that it was doing reasonably well, when in essence, it was insolvent. The Office of the Auditor General (OAG) also failed to highlight deficiencies in these results. The manipulated results, which remained undiscovered for a long time due to auditing failures, provided the NBF management with complete independence, resulting in financial chaos. The collapse of NBF resulted in bad and doubtful debts of FJ\$220 million (Karan, 2010). Lodhia and Burrirt (2004) found that poor public sector management combined with corrupt practices contributed to the demise of the NBF. Although failure on the part of Government auditors resulted in significant loss of public monies, no disciplinary action was taken against them and nor were they held accountable for their negligence.

The second crisis as mentioned earlier, involved the FNPF, which is the only superannuation body in Fiji. The FNPF crisis surfaced in 2010 when poor investment decisions on the part of the superannuation body led to huge losses amounting to FJ\$327 million in member funds. This accounted for nine per cent of the total members' funds. The write-off of FJ\$327 million consisted of FJ\$301 million from Natadola Investment, FJ\$18 million from Momi Investment and the balance arising from projects such as the Malthouse Brewery, Savusavu Marina, Bayview Hospital, Grand Pacific Hotel and the Fiji Hardwood Corporation. The write-down was necessary to show the true and fair value of FNPF assets (Baselala, 2010).

The *FNPF Act* 1966 (as revised in 2006) provides that "an international firm of Chartered Accountants represented in Fiji Islands by practicing members of the Fiji Institute of Accountants and appointed by the Board" audit the accounts of the superannuation body. At the time when these investment decisions were made, one of the top four CA firms together with the Government auditor were providing audit services to FNPF. The auditors had highlighted the issue of over-valuation of the FNPF assets as early as 2005 (Baselala, 2010). In 2008, the auditor firm provided a qualified audit opinion on the basis that it was

unable to access the full financial information relating to certain high-risk investments such as the Natadola project (FNPF Annual Report, 2008). Astoundingly, the FNPF operated with an inflated value of assets from 2005 until May 2010.

The third and most recent accounting crisis involved exorbitant pricing of hardware materials by the hardware industry in Fiji. The investigation into the hardware trade began in April 2010 upon the request of customers who lodged complaints with the Consumer Council of Fiji (Nadore, 2010). The Ministry for Trade and Industry also prompted an inquiry into the matter and sought assistance from the Commerce Commission to carry out an investigation. According to the Commerce Commission, the companies were involved in price fixing and price setting including marking-up of hardware materials from 15 to 34,000 per cent (Baselala, 2010). The Commission also discovered that the companies did not follow proper accounting practices as well as International Accounting Standards (IAS), yet auditors had signed off the accounts. The investigation also found companies shifting profits offshore by issuing dummy invoices. The Commerce Commission's Report signaled "alleged collaboration between accounting firms and their clients in misrepresenting various facts" (*Fiji Sun*, 21 August 2010).

The above three cases had two things in common: the involvement of the public accountants and the inactive presence of the FIA. All these cases either involved public accountants' laxity in detecting the crises beforehand or in the case of detection, the failure to investigate further into the issue. Despite being an oversight body, the FIA failed to question public accountants involved in the crises.

At the 2010 FIA Congress, the Prime Minister of Fiji sought accountability from practitioners by questioning their role at the time of the crises. On the NBF issue, the Prime Minister queried, "Would the debacle at NBF have been picked up earlier if the auditors and accountants, rather than simply highlighting matters, brought it...into the public domain?" He also questioned the accountants' responsibility in the FNPF investment crisis: "Is it only the fault of the then directors and management of FNPF Board that FNPF has had to write off in excess of three hundred million dollars from its books? When the excesses pertaining to Natadola and Momi were taking place, weren't accountants involved?" According to him, the accounting practitioners in Fiji have continued to overlook inherently flawed internal systems and procedures due to fear of upsetting the status quo and the risk of losing their clients. Further, the fact that the FIA has taken no disciplinary action demonstrates that "there may be a need to set up an independent disciplinary body" (Bainimarama, 2010).

Thus, the role of the FIA as a regulator of the accounting profession in Fiji has come under serious scrutiny. Stakeholder groups such as the Government and the Commerce Commission are considering the establishment of an independent oversight body charged with the responsibility of monitoring the accounting profession and taking disciplinary action where necessary. This prompted the authors to obtain perspectives of the various stakeholders on the proposed initiative.

## RESULTS

In this section of the paper, we discuss the perspectives of the Commerce Commission, the SPSE, the FIA and the partners of CA firms on the issue of regulating the accounting profession and CA firms in Fiji.

### The Perspective of the Commerce Commission

Authors sought response from a senior representative of the Commerce Commission on a number of issues as summarized by the table below:

Table 1: Response Gathered from the Commerce Commission

Issue	Response of the Commerce Commission
Current state of regulation of the accounting profession/firms in Fiji Can the FIA independently monitor, question and regulate the accounting profession? Need (if any) to create an independent accounting oversight body	The accounting profession in Fiji is not regulated at all. The CA firms are operating in a monopolistic manner. The FIA is not in a position to regulate the accounting profession. There is serious lack of independence, as members from the top four CA firms are dominating the FIA. The Commerce Commission believed that the accounting firms were engaging in violation of accounting standards day-in-day-out. Following its investigation into the hardware crisis, it made strong recommendations to the Ministry of Commerce to set up an independent oversight body.
Membership of the proposed oversight body	It should comprise members from the commerce industry, the academia and the existing professional body.
Powers and functions of the proposed oversight body	a) Monitor the ethical and audit conduct of accountants and accounting firms to prevent create accounting practices in future; b) Impose fines, suspend and expel non-compliant practitioners; c) Refer matters to the Fiji Police depending on its seriousness.

*This table summarizes the response gathered from the Commerce Commission on the current state of regulation of the accounting profession, the adequacy of the FIA's role, the need for an independent oversight body and the membership, powers and functions of such a body (if created).*

According to the interviewee, the Commerce Commission was the only body that had formally raised the issue of regulating the accounting profession in Fiji. It showed strong support for the establishment of an independent accounting oversight body as it had little confidence in the FIA.

### The Perspective of the South Pacific Stock Exchange (SPSE)

Authors sought response from a senior financial representative of the SPSE on a number of issues as summarized by the table below:

Table 2: Response Gathered from the SPSE

Issue	Response of the SPSE
Current state of regulation of the accounting profession/firms in Fiji Instances (if any) of discrepancies in the audited financial statements of listed companies submitted under SPSE Listing Rules Can the FIA independently monitor, question and regulate the accounting profession?	The CA firms are generally doing well under the watch of the FIA. Firms are assisting (the then) seventeen listed companies on the SPSE to maintain satisfactory reporting standards in compliance with the SPSE Listing Rules. Yes. The SPSE has its own Research Team, which scrutinizes the audited financial statements. It has comes across instances where auditors had signed off financial reports and the Balance Sheet had not balanced. The crucial role of the FIA is to enhance the quality of financial reporting in Fiji by organizing courses/seminars to increase awareness, knowledge and skills of accountants. Dissatisfaction with the FIA on issues such as: a) Lack of staff having in-depth accounting knowledge; b) Inability to provide prompt feedback on queries; c) Workshops/seminars that falls short of SPSE expectations.
Need (if any) to create an independent accounting oversight body Membership of the proposed oversight body	Suggestion: The FIA should liaise with academics to perform its role better. SPSE showed strong support for the establishment of such a body. It should comprise of practitioners from all areas of accounting including representatives from the financial institutions and capital markets. Members could hold premier designations, be CPA qualified with vast experience in their respective fields.
Powers and functions of the proposed oversight body	It should have powers similar to the FIA but should have the right to question and oversee FIA operations.

*This table summarizes the response gathered from the SPSE on the current state of regulation of the accounting profession, instances of audit discrepancies, the adequacy of the FIA's role, the need for an independent oversight body and the membership, powers and functions of such a body (if created)*

Authors note that in instances where the SPSE had found discrepancies in the audited financial statements of listed companies, the practice of the SPSE is to write to the directors of the company concerned, who

then report the error to their auditors. Currently, there is no requirement for the SPSE to report such negligence on the part of the auditor firms to the FIA for action.

Overall, the SPSE showed firm support for the proposed oversight body. The interviewee accentuated that “it is about time FIA is properly governed to ensure that the accounting profession runs effectively and efficiently for delivery of better quality financial reports to shareholders.”

The Perspective of the Fiji Institute of Accountants (FIA)

Authors obtained response from a Council representative of the FIA on a number of issues as summarized by the table below:

Table 3: Response Gathered from the FIA

Issue	Response of the FIA
<p>Current state of regulation of the accounting profession/firms in Fiji</p> <p>Can the FIA independently monitor, question and regulate the accounting profession?</p>	<p>Primary regulation through the <i>FIA Act 1971 as revised in 1996</i>. Also regulated by other legislation such as the <i>Companies Act 1983 (Fiji)</i> and the <i>Income Tax Act 1974</i>, which is subject to annual amendments.</p> <p>FIA has been efficiently overseeing the profession since its establishment in 1972.</p> <p><i>Disciplinary process:</i></p> <ul style="list-style-type: none"> <li>• The Investigation Committee determines whether <i>prima facie</i> a case exists.</li> <li>• The Disciplinary Committee looks at the evidence, conducts interviews and imposes penalties such as censorship, fines and suspension of members.</li> </ul> <p><i>Monitoring through the Surveillance Panel:</i></p> <ul style="list-style-type: none"> <li>• Reviews published annual financial reports of statutory bodies and listed companies.</li> </ul>
<p>Lack of jurisdiction over non-members</p>	<p>Yes. The FIA has no jurisdiction over non-members, particularly tax agents.</p> <p>Suggestion: Bring all legislation into par to provide FIA with greater powers to oversee non-members.</p>
<p>Need (if any) to create an independent accounting oversight body</p>	<p>There was strong opposition to the proposal, as FIA is operating under the watch of the International Federation of Accountants (IFAC), an international oversight body that eliminates the need to have an independent governing body in Fiji.</p> <p>FIA is fully compliant with IFAC Statement of Member Obligations (SMOs) concerning education, disciplining of members and Continuing Professional Development (CPD) among other obligations.</p>

*This table summarizes the response gathered from the FIA on the current state of regulation of the accounting profession, the adequacy of the FIA’s role and the need for an independent oversight body.*

When questioned on the adequacy of FIA’s role as the current regulator of the profession, the representative took a very defensive stance. The representative strongly believed that there was “huge misconception” about the hardware-pricing crisis (probed into by the Commerce Commission), which has brought the FIA unnecessary criticism.

On the issue of establishing an independent accounting oversight body, the interviewee stressed that “the accounting practice is a technical area and one needs to understand the practice well before being able to regulate it.” Thus, the FIA showed strong opposition towards the proposed initiative. However, it acknowledged that with pressure from other stakeholders, the Government would perhaps set up such a body.

The Perspective of the Chartered Accounting (CA) Firms

To obtain the perspective of the CA firms, the authors interviewed four partners each representing KPMG, PwC, Ernst & Young and G. Lal & Co respectively.



Table 4: Response Gathered from Partners of CA Firms

Issue	Response of the CA Firms
<p>Current state of regulation of the accounting profession/firms in Fiji</p> <p>Can the FIA independently monitor, question and regulate the accounting profession?</p>	<p>All partners agreed that the profession is self-regulated through the FIA and as well as the Tax Agents Registration Board (TARB), the RBF and the Fiji Islands Revenue and Customs Authority (FIRCA).</p> <p>The FIA:</p> <ul style="list-style-type: none"> <li>• Has played an instrumental role in aligning Fiji’s accounting practice to international accounting and auditing standards;</li> <li>• Is fairly well-structured having its own Investigation and Disciplinary Committees to look into complaints;</li> <li>• Has commendable affiliation with the IFAC.</li> </ul> <p>Challenges and limitations:</p> <ul style="list-style-type: none"> <li>• Resource constraints such as funding and not having qualified personnel</li> <li>• Lack of jurisdiction over non-members</li> <li>• Independence issues within the FIA Council and its Committees (for example, Council members also serving on the IC and DC)</li> </ul> <p>Remedies:</p> <ul style="list-style-type: none"> <li>• The FIA has made recommendations to the Government to merge with TARB.</li> <li>• The FIA is considering the creation of a governing Council whose members would not serve on the other special committees.</li> </ul>
<p>Need (if any) to create an independent accounting oversight body</p>	<p>All partners strongly opposed the proposed initiative commenting that:</p> <ul style="list-style-type: none"> <li>• IFAC supervision eliminates the need to set up such a body.</li> <li>• FIA is fully compliant with IFAC requirements</li> <li>• Provide FIA with greater powers instead.</li> </ul> <p>One partner highlighted that it would be a challenge to establish such a body due to resource issues, such as funding and getting qualified personnel.</p>

*This table summarizes the response gathered from interviews conducted with four partners representing the top four accounting firms in Fiji, namely, KPMG, PwC, Ernst & Young and G. Lal & Co. It summarizes their views on the current state of regulation of the accounting profession, the adequacy of the FIA’s role and the need for an independent oversight body.*

Overall, the partners did not support the proposed initiative of establishing an independent oversight body to regulate the accounting profession in Fiji. They reasoned that the FIA was currently performing an adequate role and that with necessary support and increased regulatory powers it could continue to deliver as expected of a professional body.

**CONCLUSION**

The aim of this research was to determine how and who should regulate the accounting profession in Fiji. The stakeholders interviewed included representatives of the Commerce Commission, the SPSE, the FIA and the partners of top four CA firms in Fiji. The recent accounting crises of the FNPF and the hardware industry together with the NBF crisis of 1995 had motivated the authors to gain further insight on regulation of the CA firms and the accountancy profession in Fiji.

The interviewees from the non-accounting bodies believed that there is inadequate regulation of the accounting profession in Fiji and that there was an urgent need to establish an independent oversight body. They recommended that such body should consist of members from the FIA, the academia and the commerce industry. Conversely, the perspectives provided by the FIA representative and the CA partners were pro self-regulation. However, the FIA acknowledged that with pressure from other stakeholders, the Government might set up an independent oversight body. The authors had anticipated such responses given that practitioners from CA firms dominate the membership of FIA.

Our research also had its limitations. This paper has only considered the perspectives of four stakeholders. Further research on a larger scale must take place to determine the perspectives of other stakeholders such as partners of local CA firms, the academia and other regulatory bodies such as the RBF and FIRCA. Thus, one cannot solely rely on the perspectives presented in this paper to generalize the current state of regulation of the CA firms in Fiji and the directions that future reform processes should take.

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