

## Current Affairs Noticeboard

### **Accounting firms struggle to change perceptions**

Australian accounting firms are struggling to unchain themselves from the perception that they can only audit historical financial data. No matter how hard they try it appears the image of the verifier of management's representation of financial history is difficult to shake and, as a result, firms are pushing uphill to gain a reputation for being reliable sources of verification for triple bottom line reporting.

It is an image problem that has not been helped by the various audit and accounting scandals such as Enron, WorldCom, Harris Scarfe and HIH that have focused the community's attention on the financial statement audit and independence issues rather than the other areas of practice that lie within accounting practices.

Other pockets of knowledge on the provision of assurance services lying within the profession have largely been ignored, PricewaterhouseCoopers professional standards partner Bill Edge argues, during a period where regulators, politicians and shareholder activists have spent more time debating issues such as auditor independence and changes in audit regulation.

The image problem and regulatory distractions has meant the business of providing assurance on other areas of corporate performance has experienced slower growth than some people expected.

Edge says the work done by firms in the triple bottom line arena is limited in part because of the market perception that accounting firms spend time doing little else than ensuring the picture of a company's financial past is reflected accurately and in accordance with a set reporting framework.

Engagements in which the firm is engaged on providing assurance on matters outside the usual financial data, which are not a major revenue driver for PwC at this point, involve experts in various disciplines that the firm employs in-house to provide subject matter expertise.

'The experts tend to drive the engagement but they take along with them one or two people from the practice that have an assurance or auditing or verification type of skill set,' Edge says.

While the firm has various subject matter experts to work across different kinds of assurance engagements PwC has not made a huge investment in folding into its ranks a greater number of experts outside disciplines dealing with financial data.

'I just thought triple bottom line reporting would take off a lot more than it has over the past few years,' Edge says. 'We're competing with engineers and other consultants that can do it for different rates and without a professional structure about the form of report and the form of work they do.'

Ernst & Young's resident triple bottom line expert, Garry Fowler, agrees with Edge's general analysis of the Australian marketplace as things are not much better in the triple bottom line department at Ernst & Young. Fowler believes the profession has not excelled in marketing its own ability to provide assurance services that are outside the traditional field of providing assurance on financial data.

That, Fowler asserts, has had the impact of not drawing the kinds of business the assurance divisions of the accounting firms have probably hoped for over several years. Fowler cautions accounting and auditing professionals to err on the side of proactivity and talk up their assurance skills. He believes a failure to do so will result in auditors being typecast for some time to come.

'The man in the street – the user – is actually asking what accountants know about this sort of stuff. I believe the accounting and auditing profession needs to be seen ultimately as assurance providers irrespective of whether it's external or internal. The main product the major firms provide is assurance,' Fowler asserts.

'The profession needs to market itself as being able to provide assurance on triple bottom line matters and dispel some of these myths that we're accountants and we can't do social and environmental stuff.'