

grant thornton focus

Keeping you updated on current issues

Shamsir Jasani Grant Thornton 

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Developing worldwide quality standards.

Setting new standards

Although there have been many Enron-like scandals in the past, none of them comes close to the case of the US energy company. But the fallout has hit the accounting profession the hardest.

How hard? "Our reputation has been destroyed. So we are working very hard to rectify our image," says Barry Barber, Worldwide Director of Audit and Risk Management at Grant Thornton.

Barber stresses: "Yes, the failure of Arthur Andersen caused everyone to step back and it was a severe blow for us. But reforms are taking place because our reputation is at stake." In fact, Barber's current position was only recently created as a direct result of the role Arthur Andersen played in the Enron scandal. Barber has been entrusted with developing worldwide quality standards and ensuring that these are established in all Grant Thornton offices the world over.

And it is not just Grant Thornton that has responded in this manner. Barber says necessary steps have been taken by the entire profession to minimise damage to its reputation.



Barry Barber
Worldwide Director of Audit & Risk Management
Grant Thornton

"For instance, the profession is emphasising an approach based on principles rather than rules in auditing and accounting," he says. A framework based on principles provides greater assurance to the public that management, auditors and those responsible for corporate governance will do the right thing as opposed to the rulebook approach that fosters a culture of "if the rulebook does not specifically forbid it, it must be okay".

Even before the Enron scandal erupted, the Kuala Lumpur Stock Exchange had implemented guidelines to ensure corporate governance.



Another effort by the accounting fraternity to boost public confidence is the development of a global standard setting, work on which has been ongoing for the past two years, says Barber. Expected to be in place next year or in 2004, the system will ensure that:

- the methodologies of audit policies are equivalent to the International Standard on Auditing;
- Firms comply with the International Federation of Accountants (IFAC) Code of Ethics;
- Relevant international training programmes are maintained; and
- Appropriate quality control standards are maintained.

This global initiative by the Forum of Firms (FOF) was introduced because of the need for a consistent worldwide accounting standard, Barber explains.

The FOF is an organisation of international firms that perform audits of financial statements that are, or may be, used across national borders. It is part of the IFAC, a body of national professional accountancy organisations that represent accountants employed in public practice, business and industry, the public sector, education as well as some specialised groups that interface frequently with the profession.

The IFAC has 156 member bodies in 114 countries, representing two million accountants.

Dato' N K Jasani, the Managing Partner of Grant Thornton's Malaysian member firm, Shamsir Jasani Grant Thornton, says the accounting profession in Malaysia has been on its toes with regard to protecting its image.

"In Malaysia, the Malaysian Institute of Accountants (MIA) has a committee which is coming up with a structure to have a quality-review standard for all accounting practices at regular intervals," he explains. This standard

will complement the international initiative that Barber spoke about.

Even before the Enron scandal erupted, the Kuala Lumpur Stock Exchange had implemented guidelines to ensure corporate governance. Boards of Directors are required to have at least two independent directors, and companies to have an audit committee of at least three members; two-thirds of the committee must also be independent. "One of the independent members of the audit committee must be a MIA member or have qualifications recognised by the MIA," Jasani says.

Yet another indicator of the severity of Enron's impact on the profession lies in the handling of new clients.

Grant Thornton now takes a harder look at clients. "We sometimes also conduct background checks on the officers and directors," Barber explains.

Two years ago, the organisation developed client procedures that include discussions with potential clients. "For instance, we query why the previous accountant left the company," he says. This may sound good, but Arthur Andersen also had such procedures. Barber agrees but points out that Grant Thornton's clients are mid-market entrepreneurs. "For Arthur Andersen, Enron was one of its biggest clients. Unfortunately, you will do everything you can to please such a client. We are not dependent on specific clients," he says.

Many companies today hire accountants with one mandate: "We want to pay as little taxes as we can get away with." For the accounting firms, this has meant "creative accounting". So where do firms draw the line?

"If the client's sole concern is to save on taxes, then that's the sort of client we may not want," Barber says.

Single worldwide language of financial reporting may soon be a reality

It is important for you as business owners or company directors to be aware that your business may be affected if you need to raise finance elsewhere. Global financiers are likely to use the IFRS as a benchmark.

In April 2001, the restructured International Accounting and Standards Board (IASB) was given a strong mandate by the major constituents of the world's capital markets to develop a single set of high quality accounting standards.

Grant Thornton and five other major accounting organisations: PricewaterhouseCoopers, Ernst & Young, KPMG, Deloitte Touche Tohmatsu and BDO International supported IASB's efforts and have conducted three annual surveys of reporting practices worldwide to measure progress towards convergence of the standards. The latest report, GAAP Convergence 2002, summarises the plans, efforts and achievements of 59 countries

towards convergence with **International Financial Reporting Standards (IFRS)**. It focuses on plans for listed companies.

The report reveals that significant progress is being made towards achieving the vision of a single worldwide language of financial reporting, notably for listed companies. Over 90% of the countries surveyed plan to converge with IFRS.

As the convergence process moves on, financiers, investors and other stakeholders will use the global accounting language of IFRS to assess performance and their own options and decisions. As far as unlisted companies are concerned, it does not ultimately make sense to have two separate sets of standards in operation in a country. The benefits of convergence should be made available to all companies, and the report encourages the IASB to prioritise its projects on SMEs and companies in emerging economies.



Grant Thornton acquires Arthur Andersen offices

GRANT THORNTON has further strengthened its middle market expertise in the US and UK with the acquisition of a number of former Arthur Andersen offices and a substantial number of professionals.

To date, Grant Thornton has acquired former Andersen offices in Charlotte, Columbia, Greensboro, Raleigh, Milwaukee, Orlando, Albuquerque and Tulsa, and additional Andersen middle market partners and professionals in New York, Chicago, Boston, Houston, Cleveland, Cincinnati, San Francisco and Tampa, totaling 60 partners and 500 additional employees.

In the UK, Grant Thornton has also acquired a team of six project finance specialists to its Edinburgh and Glasgow offices.

Our "paperless" assurance service that benefits your business



In a climate of constant change, where business is increasingly global and the use of IT increasingly sophisticated, the success or failure of a company is becoming dependent on its ability to manage resources and information. Grant Thornton understands this and has developed the Grant Thornton Horizon (GT Horizon) to help business manage this challenge and maintain their competitive advantage.

Horizon is an innovative audit service that employs technically-advanced audit software. It helps us capture information about your business and improves our understanding of how it operates. This information is invaluable to the resulting audit, increasing its focus and insight. It significantly changes the way in which our firms organise and perform audits. Horizon looks in more depth at the commercial issues that flow from the audit and the business risks that are of real importance to you.

Horizon uses a Windows-based framework and methodology. A key element within Horizon is a software product, Grant Thornton Explorer which is developed exclusively to assist us in meeting the demands of your

business. Explorer enables our audit teams to operate systems that move beyond the simple examination of transactions in isolation of other key elements within your operations. It also enables us to perform a "paperless" audit where the planning, execution and review will be documented electronically.

How GT Horizon benefits your business:

- ours is a partner-led service where experienced specialists are involved in all stages of the process to ensure that what we deliver corresponds to your needs and expectations
- we will assess your internal financial controls to result in better planning for the future of your business
- our focus is on understanding the important transaction cycles affecting your business
- we employ the most advanced auditing techniques to assist in analysing the components of your financial statements.

Shamsir Jasani Grant Thornton

We welcome you to share your opinions and suggestions with us. Feedback may be directed to:

Corporate Communications Department

Shamsir Jasani Grant Thornton
Level 11-1, Faber Imperial Court
Jalan Sultan Ismail, P.O. Box 12337
50774 Kuala Lumpur
T (603) 2692 4022
F (603) 2691 5229
E venica@gt.com.my

Editorial & Design: Venica Soo

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For enquiries on our assurance service, please contact your local Grant Thornton office.

KUALA LUMPUR

Ms Janise Lee
Mr Hooi Kok Mun
Level 11-1, Faber Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur
T (603) 2692 4022
F (603) 2691 5229
E sjgt@gt.com.my

PENANG

Mr Ooi Ark Heng
58-A, Jalan Cantonment
10250 Penang
T (604) 226 1852
F (604) 226 1873
E info@sjgt-pg.com.my

KUANTAN

Mr Lui Kok Tham
A-105A, 1st Floor
Sri Dagangan
Jalan Tun Ismail
25000 Kuantan, Pahang
T (609) 515 6124
F (609) 515 6126
E info@sjgt-ktn.com.my

JOHOR BAHRU

Mr Tommy Leong
Unit 29-04B, Level 29
Mailbox 227, Menara Landmark
12 Jalan Ngee Heng
80000 Johor Bahru, Johor
T (607) 223 1848
F (607) 224 9848
E info@sjgt-jb.com.my