

❖ **Column** Corruption – A social disease • Part 146

What can CEOs and CFOs learn from the crisis in the accounting and auditing profession?

On 21 September 2018 Mervin King and Linda de Beer launched in Windhoek their latest book titled *The Auditor: Quo Vadis?*

The event was organised by the Institute of Chartered Accountants in collaboration of the Institute of Corporate Governance in Namibia.

King is internationally known for his contribution to corporate governance. His first book titled *The Corporate Citizen* (2006) is so well written that it can be understood

with ease by almost everyone.

The accounting and auditing professions is at a tipping point. This statement needs context and an example for clarification.

Netflix is growing faster than the assets on their balance sheet. Why? Because the conventional movie industry - to go to theatre - is outpriced by Netflix that is providing movies in the comfort of people's homes where they can enjoy entertainment unlimited at a con-

siderable cheaper price. Some auditing companies have made huge oversights in terms of overvaluing tangible assets, undervaluing intangible assets and exercising creative accounting (fraud) in terms of taking bribes and protecting the vested interests of shareholders. Such oversights deteriorated public perceptions about the credibility of the accounting and auditing professions. People's trust in them is at an all-time low.

External auditors mainly focus on market capitalisation, which is on average about 16 percent of the total wealth of companies.

THE LIABILITY CHALLENGE

Liability is a massive challenge for accountants, auditors and directors of companies. They are liable for fraud and

incorrect accounting and reporting. However, they are extensively insured against law suits and by closing ranks liability has become a massive misnomer of professional protection at the cost of individual stakeholders and shareholders that are unprotected against corporate greed and exploitation.

Chief Financial Officers (CFOs) have obsolete. Institutions need Chief Wealth Officers that can practise integrated reporting that can transform companies and the profession to adjust to the global trends of an increase in intangible assets and virtual companies.

De Beer indicated a massive trust deficit in CEOs, CFOs, auditors and accountants that cannot be addressed soon.

The level of corporate governance in Namibia is

substandard compared to European standards, especially in case of the 98 Public Enterprises. For corporates it is not good enough to comply to box ticking and donating to social projects. Deeper questions need to be asked about the long term sustainability of contributing to social projects.

Greenfield banking is a valid and value proposition compared to conventional banking.

Conventional banks in Namibia have some of the highest service fees in the world based on a study done by Boer & Sherbourne (2003). Not much reduction in fees has taken place since. How are unaffordable service fees justifiable amidst extensive poverty in Namibia?

Intangible assets include the value of employees, trust, reputation, credibility and perceptions.



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Namibian leaders need to wake up from their slumber and instruct accountants and auditors to value their intangible assets. This will require a change of financing and financial systems. If not, they will be bypassed by global developments and their companies will become obsolete in an ever faster changing world. Inclusive capitalism is undergoing critical changes and leaders are needed that have a new vision for implementing sustainability and integrating reporting.

References

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