

## 'A \$5-trillion economy needs a robust audit ecosystem'

Audit market has to be open, dynamic and competitive: IFAC Deputy President

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New Delhi, January 10

India should focus on capacity building of its audit ecosystem and accounting profession base while marching ahead to become a \$5-trillion economy by 2025, according to Alan Johnson, Deputy President of the International Federation of Accountants (IFAC).

"There is a need to create the bandwidth to make the Indian audit market more dynamic, more open and competitive. There has to be capacity building," Johnson, who is visiting India, told *BusinessLine* in an interview.

Asked if India currently has the necessary audit eco-

system to support a \$5-trillion economy, he said he had no answer for this question, while also hastening to add, "probably not".

The IFAC, a global organisation for the accountancy profession, through its more than 170 members from over 130 countries, is now supporting more than 3 million professional accountants.

Highlighting that businesses around the world are getting more complex, Johnson said India will benefit from access to the technical competency (knowledge and standards of international audit) of international audit firms.

"The business environ-

ment is becoming extremely complex; therefore, to do quality audit, you need to have expertise, skills and knowledge," he said.

### Audit failures

As regards the handling of audit failures, Johnson underscored the need to be careful that "we don't end up punishing the audit organisation for the failure of a few individuals unless there was a systemic failure in the organisation itself".

Johnson also sees the need for India to encourage the formation of multidisciplinary firms – audit, tax and legal services coming from a professional services firm under the same roof – as one cannot perform the audit of a complex business organisation without multidiscip-

inary skills in the audit team. "A multidisciplinary (team) is important to deliver high-quality audit, but we also need to watch the independence of the audit," he said

Johnson further said he does not see any conflict in

providing tax services along with audit as long as they do not impact the independence of the auditor. For consulting, a different skill set is required, he added.

Johnson also said that corporate governance is closely tied to economic growth.