



SAFA awards: Recognizing excellence in financial reporting

Paramananda ADHIKARI, FCA, ACS*

ABSTRACT

The major objective of SAFA Awards is intended to enhance good governance, transparent reporting and adequate disclosures through application of financial reporting and auditing standards, thereby meeting stakeholders' expectations and high levels of professional ethics in South Asian countries. This reflects SAFA's firm commitment to serving the public interest and contributing towards the economic development of the SAARC Region.

SAFA Best Presented Accounts & Corporate Governance (BPA & CG) Awards, in fact, are the testimony to the commitment of the entities towards maintaining the highest level of transparency in accounting practices. Corporate entities, of course, have always been a strong proponent of good corporate governance and constantly strive to reflect the same in all their processes, which in turn translate into increased confidence towards the company from both existing and potential customers.

On the other hand, the Awards are honor of recognition given by the SAFA, which is a good testament towards the entity's commitment on transparent reporting and good governance. SAFA Awards is an acknowledgement that the corporate entities have excelled in fulfilling its financial reporting obligations.

The presentation of SAFA Awards impacts a significant long-term recognition for the publicly disclosed financial and other stakeholder information and do not in any way represent any attestation by the SAFA for the operational performance, financial position, liquidity, capital adequacy or equity status of the evaluated entities. The awards, of course, help to corporate entities to enhance their quality and disclosures of published Annual Reports in the days to come. The term presentation, transparency, disclosure have been used amply, throughout this article to reflect the quality of Annual Reports. This article aims to highlight the SAFA and SAFA Awards, how the awards help to improve the corporate financial reporting and best practices, how to judge the award winners et cetera, et cetera.

Keywords: SAFA, SAFA BPA & CG Awards, IAS/IFRS and ISA/IAPS, IFAC, SAFA ITAG Committee

JEL Classification Code: M41, M48, M49

1. SAFA awards: An overview

Corporate reporting has been given added impetus by annual award schemes in which companies are invited to submit their annual report along with published accounts for evaluation. Several such schemes have already been in existence in Europe, Canada and other western countries long before.

Prior to 1996, only the Institute of Chartered Accountants of India and Sri Lanka had introduced the "Best Corporate Annual Report Competition" in their countries in South Asian Region and experienced that the standard of annual report had greatly influenced the image of accounting profession in the business community and society.

SAFA also started this event fifteen years ago with an objective to encourage corporate entities to enhance the quality of financial reporting disclosures in their published accounts and encourage management to go beyond the minimum reporting requirements for compliance with prevailing laws regulations and other applicable standards.

Hitting one of the historic milestones, in a very short period of its existence, the Institute of Chartered Accountants of Nepal organized the SAFA Best Presented Accounts and Corporate **Governance** Disclosures Awards-2009, in a befitting manner in Kathmandu on 12 December 2010 coinciding with the mega event the "SAFA Summit-2010" on the theme "Sustainable Development in SAARC Region" the first of its kind in the 26 years existence of SAFA. The program was held in conjunction with the 25th anniversary of the South Asian Association for Regional Co-operation (SAARC), which was on 8 December 2010. Indeed, the SAFA Summit has brought the much-needed regional perspective and cooperation among the SAARC nations.

Normally, SAFA Awards presentation included as a special ceremonial event with the conference or seminar hosted by a member body of the respective country. Nepal, which holds the current presidency of SAFA, is staging 2009- SAFA BPA and CG Awards as a distinctly glorious event in conjunction with the SAFA Summit held on 10-12 December 2010. The Awards ceremony fosters goodwill and interaction among the regulators, business leaders, accounting professionals and serves as a forum of inspiration for all participating entities from the SAFA countries.

The Awards under different categories are being conferred based on evaluation administered by SAFA Committee for Improvement in Transparency, Accountability & Governance, known as SAFA ITAG Committee in short on the published Annual Reports of entities from South Asian countries namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. However, Annual Reports from the other member countries of SAARC have not sent for evaluation except the nomination of Bank of Maldives received for the first time in 2006. The SAFA ITAG (Improvement in Transparency, Accountability and Governance) Committee teleconferencing held on 26 December 2006, inter alia has decided to award Merit Certificate that scored the threshold minimum marks to encourage entities of other SAARC countries for active participation in the competition.

2. What does SAFA stand for?

South Asian Federation of Accountants (SAFA) as a forum of professional accountancy bodies is committed to positioning, maintaining and developing the accountancy profession in the SAARC region and ensuring its continued eminence in the world of accountancy, in the public interest and towards broad economic development of the region.

SAFA was formed in the year 1984 to serve the accountancy profession in the South Asian Region and uphold its eminence in the world of accountancy. SAFA is an apex body of the SAARC and a Regional Grouping of International Federation of Accountants (IFAC). SAFA represents over 180,000 accountants having membership of the national chartered accountancy, cost, and management accountancy institutions in the South Asian countries namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. SAFA came into existence at the initiative of the accounting professional bodies in the South Asian Region, which has a bond of culture and homogeneity of professional environment. The following nine professional accounting bodies from the SAARC region are the current members in SAFA.

- Institute of Chartered Accountants of Bangladesh,
- Institute of Cost and Management Accountants of Bangladesh,
- Institute of Chartered Accountants of India,
- Institute of Cost and Works Accountants of India,
- Institute of Chartered Accountants of Nepal,
- Institute of Chartered Accountants of Pakistan,
- Institute of Cost and Management Accountants of Pakistan,
- Institute of Chartered Accountants of Sri Lanka and
- Institute of Certified Management Accountants of Sri Lanka

3. SAFA awards: Harmonization in financial reporting

The Awards symbolize SAFA's recognition and reward for corporate entities, which have achieved excellence in presentation and disclosure of high quality, relevant, reliable and comparable financial statements, particularly within the IAS/IFRS framework, and other pertinent information contained in the Annual Reports.

Financial reporting quality plays a very significant role in the economic growth of a country, because it assists in conducting its economic and financial matters in prudent and transparent way. For SAFA, an apex professional body of SAARC, regional grouping of IFAC is befitting to organize such Award competition, which helps transparent reporting system in the South Asian Region. It is a matter of pride for SAFA and its relentless efforts focused on developing awareness, credibility and quality assurance in financial reporting and auditing practices, ensuring the highest global standards of integrity, knowledge, technical skills and professional competence. The Awards competition encourages compliance by the management with the accounting and disclosure requirements of IAS/IFRS in the published financial information.

Further, the Awards reflect 'accolades' for transparent, high quality financial reporting and presentation of meaningful disclosures and other useful information in published Annual Reports, catering the needs of

diversified stakeholder groups. In addition, the Awards reflect and reinforce commitment towards adhering to statutory, legal and regulatory requirements and compliance with the accounting and financial reporting standards, codes and practices. The Awards encourage recognition for harmonization of regional and global financial reporting and corporate governance practices.

In today's vibrant economy, the transparent financial reports encourage boosting investors' confidence, facilitate the flow of investment and help to maintain the economic growth. The language of corporate reporting has now taken a specific dimension within the IAS/IFRS framework. No doubt, this endeavor will definitely bring the entire global within the scope of IAS/IFRS for financial reporting purposes and the SAARC region would not be exception.

4. SAFA Awards: The different categories

Initially, the Awards comprised of FIVE different categories from the "listed entities in the financial sector (two categories) and non-financial sector (three categories)". The Public Sector Entities and Non-government Organization category was incorporated from 2003 making altogether SEVEN different categories while the "Corporate Governance Disclosures" award was included in 2005, which makes total EIGHT different categories, which are shown in Table-1, below.

S.N.	Categories
I.	Banking Sector subject to Prudential Supervision
II.	Non-Banking Financial Sector not subject to Prudential Supervision
III.	Manufacturing Sector
IV.	Communication and Information Technology Sector
V.	Hospitality, Health, Transport, Shipping, etc.
VI.	Non Governmental Organizations
VII.	Public Sector Entities
VIII.	Corporate Governance Disclosure Award

The Award for Corporate Governance Disclosures was included with the intention of promoting good governance in corporate entities. The criteria for the corporate governance disclosures include clear and comprehensive disclosures in annual reports on the duties and responsibilities of Directors/ Management, the structure and responsibilities of Audit Committee, compliance with relevant laws and regulations as well as commitment to employees.

Further, these Awards have encouraged the entities to include more non-financial information that is reported alongside financial information to provide a broader meaningful understanding of an entity's business, its market position, strategy, performance and future prospects including quantified metrics. Further, the corporate and business sector has to play a key role in the country's sustainable development and should not ignore the other side i.e. corporate responsibility, which includes the communication about how entities are understanding and managing their

impact on the society and the environment in order to be responsible towards its stakeholders.

5. SAFA awards: The criteria and selection process

The awardees in EIGHT different categories have been selected through a fair and rigorous process of evaluation of all participating entities in an independent manner. In the process of evaluation, adjudication and nomination of Annual Reports for different categories of the SAFA Awards, the concerned Committee of the member body or any other competent process exercises stringent evaluation procedures, based on SAFA BPA & CG Evaluation Criteria. The winners are selected through stringent selection criteria based on the presentation and disclosures of high quality, relevant, reliable and objectively comparable financial statements meeting International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS), legal and statutory compliances as well as other pertinent information to stakeholders.

SAFA BPA Evaluation criteria encompass the stringent checklist /parameters, and uncompromising standards, which include Corporate Objectives, Core Values and Principles, Code of ethics, Chairman/CEO Reports, Legal Compliances and Standard Disclosures, Stakeholders' Information, Report Content, Layout, Tabulation and Pictorials, Presentation of Financial Statements, Timeliness of Annual General Meeting and status of Corporate Governance Disclosures.

Each of the five SAFA member countries nominates a maximum of three entries, which have scored the highest marks among from each category for participation in the SAFA Awards competition. The respective country then evaluates the Annual Reports sent by the other four member countries. After completion of the evaluation by each member bodies, the marks are sent to the SAFA Secretariat in New Delhi, India.

6. SAFA ITAG committee and its' role

The SAFA ITAG (Improvement in Transparency, Accountability and Governance) Committee is entrusted with the responsibility for operation of the Awards, finalizes the evaluation markings through a moderation process, known as "Conference Marking" on the presence of the committee member from the member bodies. The Committee recommends the results for approval to the SAFA Board. The Committee exercises utmost due diligence in its Awards finalization process to overcome any inconsistency and ensure the highest standards of transparency and fairness. The First, Second and Third positions in each category are designated as the "Winner", "1st Runner-Up" and "2nd Runner-Up" respectively. In case of equality of marks, more than one entities are declared as joint winners/runner-ups for a particular position. All entities, which score a minimum threshold marks shall be eligible for Merit Certificate. The SAFA ITAG Committee decided this on its teleconferencing held on 26 December 2006.

7. SAFA awards - 2009: A festive event

The inception of the SAFA Awards goes back to 1996, which makes the 2009 Awards as the 15th of its kind. The ceremonial presentation of the SAFA Awards is really a festive event for the entire regional profession,

the financial and non-financial corporate sectors, non-government organizations and public sector entities.

The SAFA Best Presented Accounts and Corporate Governance Disclosure Awards 2009 ceremony was held on 12 December 2010 at Kathmandu. Mr. Surendra Pandey, Finance Minister, Government of Nepal was the Chief Guest and gave away awards. Awardees from SAFA member bodies attended and received awards from the Chief Guest. Sri Lanka followed by Bangladesh received the highest numbers of awards declared.

Eleven corporate entities were adjudged the winner/joint winner, ten were adjudged the 1st runner-up/joint 1st runner-up and other ten were adjudged the 2nd runner-up/joint 2nd runner-up. Altogether, there were 31 winners and runner-ups in all the eight categories. For details, see Table-2 below.

Categories	Countries					Total
	Bangladesh	India	Nepal	Pakistan	Sri Lanka	
Banking Sector subject to Prudential Supervision	1	0	0	1	3	5
Non-Banking Financial Sector not subject to Prudential	1	0	0	0	2	3
Supervision						
Manufacturing Sector	1	0	0	2	2	5
Communication and Information Technology Sector	1	2	0	0	1	4
Hospitality, Health, Transport, Shipping, etc.	0	0	0	2	2	4
Non-governmental Organizations	2	0	0	0	1	3
Public Sector Entities	1	1	0	0	2	4
Corporate Governance Disclosure	0	0	0	0	3	3
Total Awards	7	3	0	5	16	31

Further, out of the winners, the highest marks scored, three corporate entities were declared as the overall winner and runner-ups. In the year 2009, two entities were adjudged the overall joint winner, two entities as overall joint 1st runner-up and one entity was adjudged the overall 2nd runner-up. For details, see Table-3, below.

Particulars	Countries					Total
	Bangladesh	India	Nepal	Pakistan	Sri Lanka	
Overall Winner	1	0	0	2	2	5
Total Awards	1	0	0	2	2	5

Apart from the above, 35 other entities received the Merit Certificate that scored the minimum threshold marks. For details, see Table-4, below.

Categories	Countries					Total
	Bangladesh	India	Nepal	Pakistan	Sri Lanka	
Banking Sector subject to Prudential Supervision	2	2	0	2	0	6
Non-Banking Financial Sector not subject to Prudential Supervision	2	2	0	3	1	8
Manufacturing Sector	2	3	2	1	1	9
Communication and Information Technology Sector	0	0	0	0	0	0
Hospitality, Health, Transport, Shipping, etc.	0	0	0	1	1	2
Non-governmental Organizations	1	2	0	1	2	6
Public Sector Entities	0	1	0	0	1	2
Corporate Governance Disclosure	0	0	0	2	0	2
Total Merit Certificates	7	10	2	10	6	35

From the above presentation, it is clear that Sri Lanka, Bangladesh and Pakistan have performed remarkably well in SAFA Awards-2009 competition. The highest numbers of Awards were received by Sri Lanka followed by Bangladesh. Pakistan and India bagged the third and fourth position respectively in the competition. However, Nepal has to improve a lot in financial reporting and governance disclosures in the days to come. In addition to the above, SAFA must put its effort to invite organizations from other SAARC countries to join for its noble initiation to support the development in corporate reporting and encourage the corporate and non-corporate entities to exhibit the best practice in reporting. This concerted effort will definitely make others more aware of the importance and value of this evolution. It will also help to raise the standard of future reporting too.

8. Conclusion

SAFA awards have developed remarkable awareness for exuberant participation by contesting entities in the various categories of Awards. Annual report nominations by the member bodies under different categories for the SAFA Awards have improved their performance very significantly over the years, which reflect the serious awareness of the Corporate Sector, NGOs and Public Sector Entities in the SAARC region striving to accomplish the highest standards of governance, compliances and stakeholder information in their published Annual Reports.

SAFA Awards competition are expected to improve and enhance the level of harmonization in financial reporting and auditing practices through adequate application of IAS/IFRS and ISA/IAPS respectively, reflecting greater accountability of corporate governance and transparency of published financial information. This credible financial reporting enables

the corporate entities to be friendlier for foreign investment, capital market development, industrialization, exports and contributes towards the economic growth of SAARC countries.

No doubt, if we look back to the history of Award competition that the total number of participating entities is increasing progressively every year. The Award competition is affecting a catalytic influence in enhancing the level of compliance and quality of financial reporting practices and reflects a positive dimension for corporate planners, the capital market, regulators and other agencies in the SAARC region. Moreover, in this new era of accountability and transparency, the corporate as well as non-corporate sector will eventually understand more about the importance and recognition of SAFA Awards in the days ahead.

REFERENCES

SAFA (South Asian Federation of Accountants) (2006), *History of South Asian Federation of Accountants (1984-2006)*. New Delhi: SAFA.

Websites accessed:

Official Webpage of SAFA: www.esafa.org

Official Websites of SAFA Member Bodies

***Mr. ADHIKARI** is the Technical Director at the Institute of Chartered Accountants of Nepal. He is a Fellow Member of the Institute of Chartered Accountants of Nepal (ICAN), Associate Member of the Institute of Chartered Accountants of India (ICAI) and member of the Institute of Company Secretaries of India (ICSI).

Mr. Adhikari is also the Executive Secretary of South Asian Federation of Accountants (SAFA), an apex body of SAARC and Regional Grouping of IFAC comprising the nine Professional Accounting Bodies of SAARC Countries. He has appointed Executive Secretary at the 70th Assembly Meeting of SAFA held on 23 January 2010.

Mr. Adhikari, is the Member of SAFA Committee on Education, Training & CPD and Member of "Sub-committee of ITAG on revising the evaluation criteria of Annual Reports". He is also the member of the Task Force constituted under the Coordinator of Under Secretary, Ministry of Finance, Government of Nepal for amendments of Nepal Chartered Accountants Act 1997 and Regulation 2004.

Mr. Adhikari has elected the General Secretary of Association of Chartered Accountants of Nepal (ACAN) by its 26th Annual General Meeting held on 23 December 2010 for the year 2011. He was also elected Executive Member of ACAN for the year 2007-08.

Mr. Adhikari served in Commission for the Investigation of Abuse of Authority (CIAA), an anti-corruption Constitutional Body of Nepal as a Financial Advisor over three years from 2004 to 2007.

Contact: +977 98510 84155 Email: pnadadhikari@ican.org.np