

Perceptions of ICMA Pakistan Members on the Benefits of Cost Audit for Pakistani Business and Economy

A Report developed by Gallup Pakistan for ICMA Pakistan

Preamble

Recently, the Competition Commission of Pakistan (CCP) in a Policy Note to the Securities and Exchange Commission of Pakistan (SECP), recommended reinstating the mandatory annual cost audit of five economic sectors which produce consumer-sensitive goods; besides any other sector, when and where deemed necessary, to facilitate policy interventions in a fair, transparent and independent manner. These five sectors include cement, sugar, vegetable ghee/cooking oil, fertilizer, and wheat flour production. The CCP has contended that cost audit will ensure transparency and help the government to make decisions that will serve the public interest in the best possible way.

It is worth pointing out here that ICMA Pakistan had remained engaged forcefully with the CCP, SECP and the Ministry of Industries & Production for the reinstatement of cost audit and due to its persistent efforts, the SECP notified vide SRO 893 dated 21st September 2020, the Companies (Audit of Cost Accounts) Regulation, 2020 and subsequently notified vide SRO 1136 dated 14th December 2020, the Companies (Maintenance and Audit of Cost Accounts) Regulations, 2020.

The Research and Publications Committee has also taken a lead by dedicating the concluding issue [Nov-Dec 2020] of the Management Accountant Journal on the theme of 'Cost Audit and Consumer Protection'. Besides, ICMA Pakistan, jointly with Gallup Pakistan, has carried out this perception survey of members on the benefits of cost audit for the Pakistani business and economy.

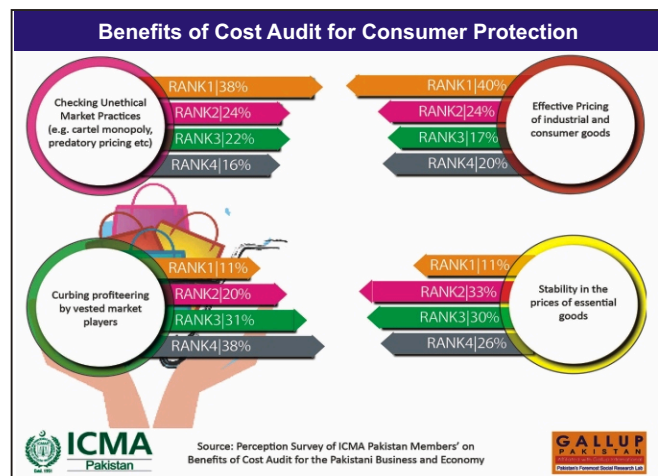
Survey Methodology

The survey questionnaire developed by the Research and Publications Directorate of ICMA Pakistan was hosted online after some value addition by Gallup Pakistan based on their prior experience of conducting Market and Perception surveys across Pakistan. The customized Questionnaire was scripted to an online survey software and disseminated through Gallup's server to all the members of ICMA Pakistan; followed by a reminder circular from the Institute after a few days. The deadline given to member to submit their responses on survey was 20th December 2020 which was subsequently extended to 26th December 2020. The responses received from the members have been carefully collated and analyzed by Gallup and the key findings from the survey are presented in this survey report.

Survey Results

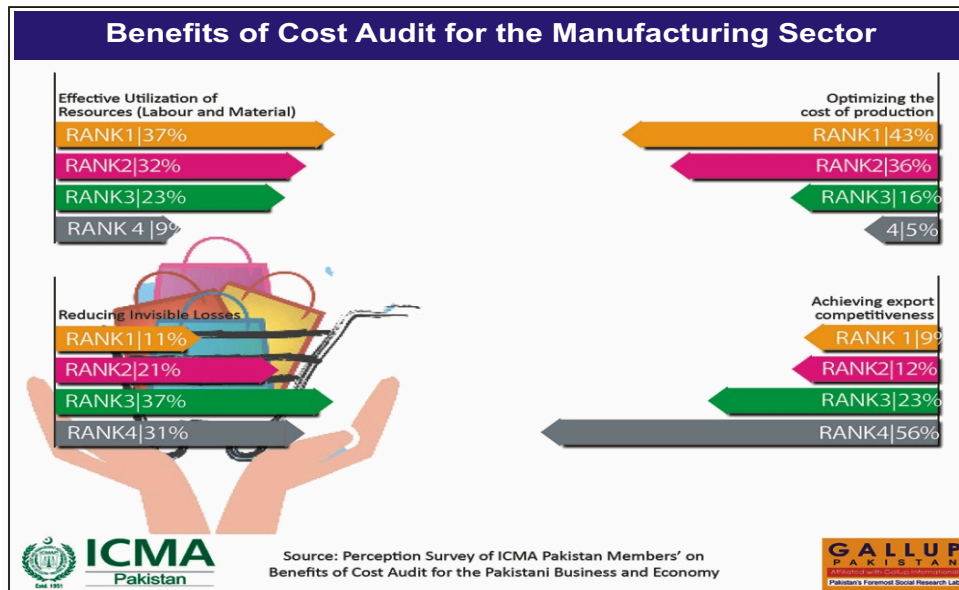
40% says Cost Audit have greatest benefit for consumer protection by contributing towards effective pricing of industrial and consumer goods

The members were asked as to what benefits cost audit and cost accounting would have for consumer protection and four different options were provided to rank them in sequence. Around 40% of ICMA Pakistan members ranked contribution towards 'effective pricing of industrial and consumer goods' as the most significant benefit, while another 38% of the members reported checks on unethical market practices as the most significant benefit of cost auditing. The other two factors viz. curbing profiteering by vested market players and stability in the prices of essential goods, were considered the least significant of all benefits by receiving 38% and 26% respectively of the members' preference.



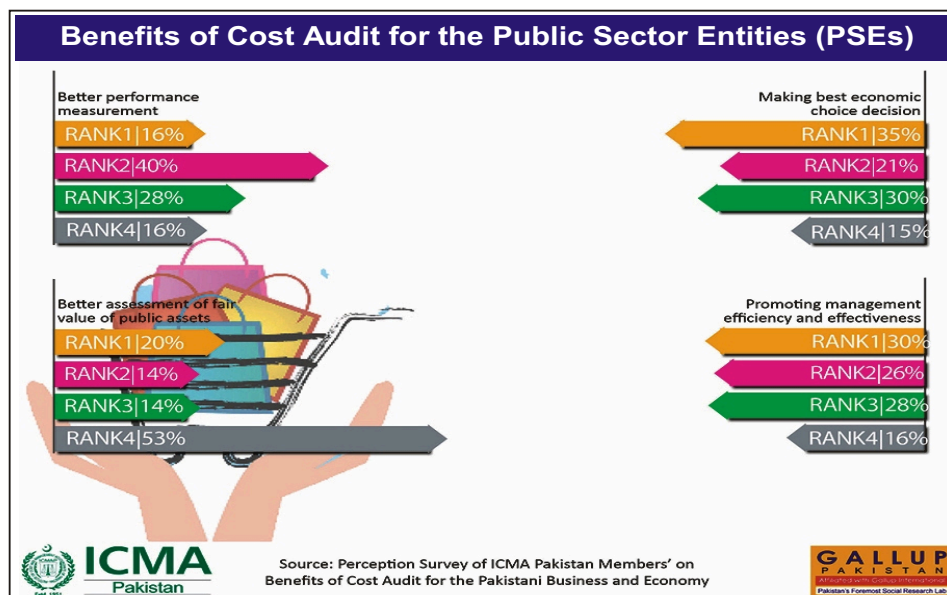
43% consider optimization of cost of production as the most significant benefit of cost audit on Pakistani Manufacturing Sector

The members were requested to rank the four options from 1 to 4 with regard to the benefits cost audit and cost accounting would have for the Pakistani manufacturing sector. Around 43% of members ranked optimizing cost of production as the most significant benefit, followed by another 37% members who reported effective utilization of resources. More than half (56%) of ICMA Pakistan members ranked achievement of export competitiveness as the least significant benefit of cost audit and accounting on Pakistani manufacturing sector followed by almost one-third (31%) members who ranked reduction in invisible losses as the least significant benefit.



35% consider contribution towards optimal economic decisions as the most significant benefit of cost audit on Public Sector Entities (PSEs)

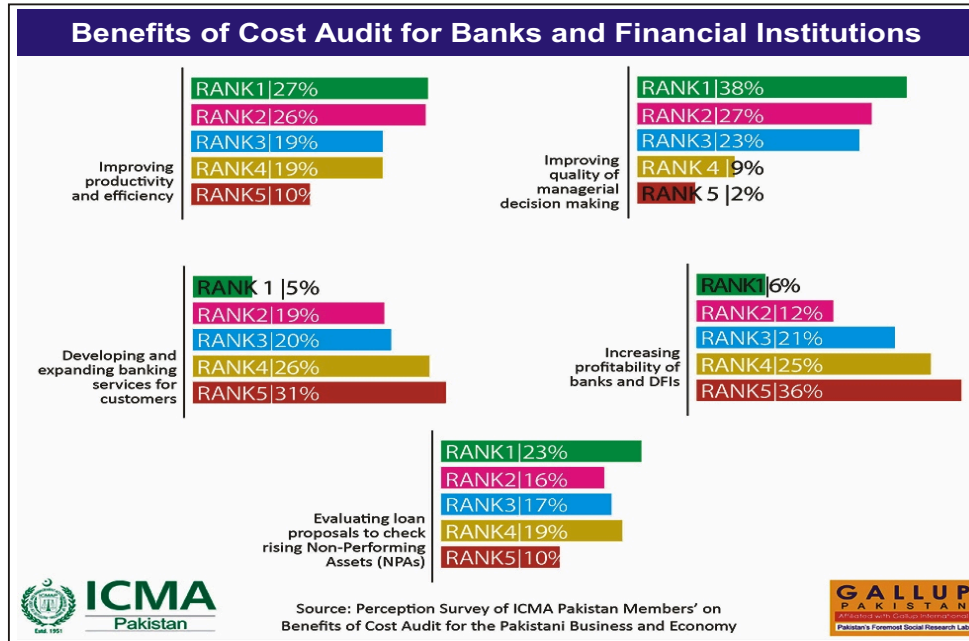
The members were requested to provide their feedback as to what benefits cost audit would have for the Public Sector Entities (PSEs). PSEs refer to organizations that are owned and operated by the government and exist to provide services for its citizens (e.g., PIA, Pakistan Steel, OGDC etc.). Almost 35% ICMA Pakistan members ranked the option on making best economic choice decisions as the most significant benefit, followed by another 30% members who reported contribution towards promoting management efficiency and effectiveness. More than half (53%) ranked improved assessment of fair value of public assets as the least significant benefit of cost audit on Public Sector Entities (PSEs).



Survey Report

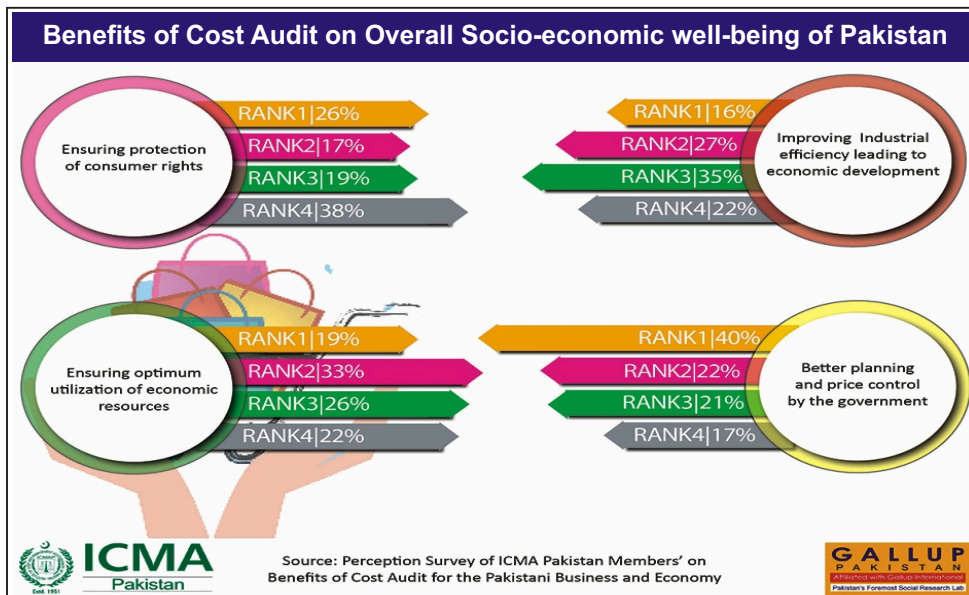
38% ranks improvement in quality of managerial decision making as the most significant benefits of cost audit for banks and Financial Institutions in Pakistan

The members were asked to share their perception as to what benefits cost audit would have for Banks and financial institutions. Around 38% ICMA Pakistan members ranked improving quality of managerial decision making as the most significant benefit, followed by another 27% members who ranked it as the second most significant benefit. For only 2% members, improvement in quality of managerial decision making is the least significant benefit of cost audit and accounting on banks and financial institutions.



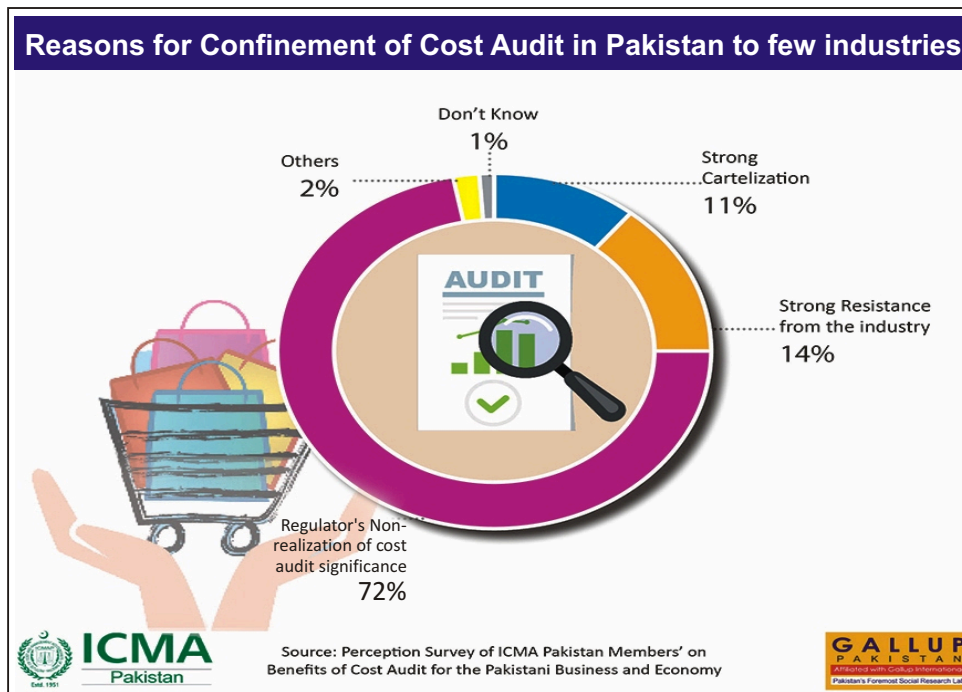
40% consider contribution towards improved planning and price control by the Government as the most significant benefit of cost audit on overall socio-economic well-being of Pakistan

It was enquired from members that in their opinion what is the most significant benefit of cost audit and cost accounting on the overall socio-economic well-being of Pakistan. As per response received, around 40% ICMA Pakistan members ranked improved planning and price control by government as the most significant benefit. One-third (33%) members ranked optimum utilization of economic resources as the second most significant benefit of cost audit and accounting on the overall socio-economic well-being of the country, whereas, 38% of ICMA Pakistan members ranked protection of consumer rights as the least significant benefit of cost audit and accounting on the society and the overall economy.



72% think regulators' non-realization of cost audit's significance is the primary reason that cost audit has remained confined to a few industries only

The members' opinion was sought on the primary reason for confinement of cost audit in Pakistan to only a few industries whereas in neighbouring countries it applies to all kinds of industries, including the services sector. Majority (72%) members reported regulators' nonrealization of the significance of cost audit is the key reason for this; followed by 14% members who noted strong resistance from industry whereas another 11% members says that strong cartelization is the primary reasons for cost audit remaining confined in Pakistan. Just 2% of ICMA Pakistan members reported other reasons whereas, 1% ICMA Pakistan members did not report any reason.



98% agree that cost audit should be made obligatory for all CPEC-related projects for improved cost efficiency

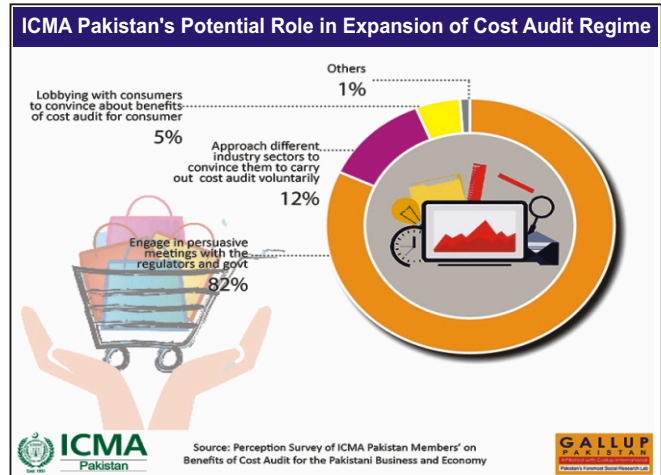
The members were asked as to what extent they agree that cost audit should be made obligatory for all CPEC-related projects for improved cost efficiency. More than 8 out of 10 (82%) members strongly agree that cost audit should be made obligatory for all CPEC-related projects followed by 16% who agree to some extent. Only 1% members conveyed their disagreement.



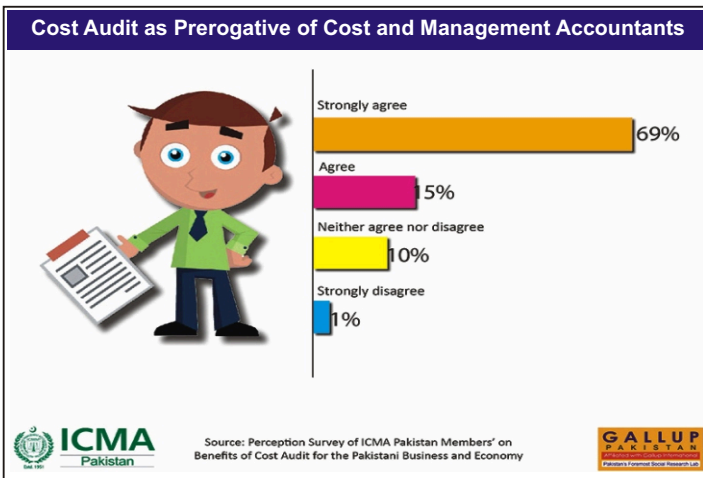
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82% suggests ICMA Pakistan must engage in persuasive meetings with regulators and Government to expand cost audit scope in Pakistan

Members were asked what steps, according to them, ICMA Pakistan can take to expand the scope of cost audit in Pakistan. More than 8 out of 10 (82%) members believed ICMA Pakistan can engage in persuasive meetings with regulators and the government; followed by 12% members who were of the opinion that ICMA Pakistan can approach different industry sectors to convince voluntary carrying out of cost audits. Around 5% members believed that ICMA Pakistan can lobby with consumers to convince them about the benefits of cost audit whereas 1% members reported other steps.



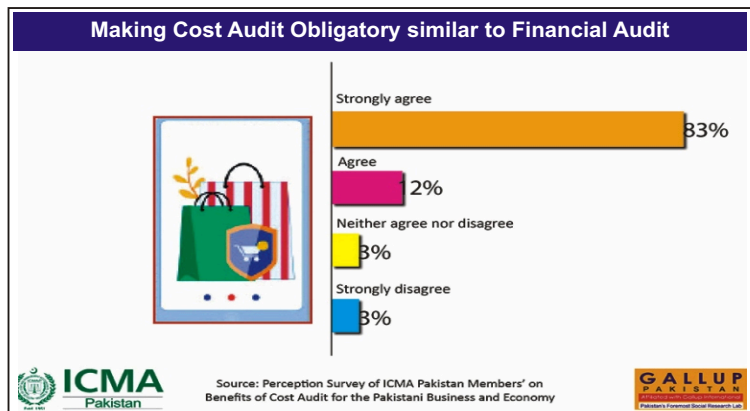
84% agree that conducting cost audit of companies should be the prerogative of Cost and Management Accountants only



The members of ICMA Pakistan were asked as to what extent they agree that conducting cost audit of companies should be the prerogative of cost and management accountants only. As per response received by Gallup, almost 7 out of 10 (69%) members reported to strongly agree with the statement followed by 15% who reported to agree to some extent. Around 6% members disagreed to make cost audit a prerogative of CMAs whereas 1% members strongly disagreed with this statement.

95% think cost audit should be compulsory similar to Finance Audit to safeguard the interests of consumers

The members' feedback was required as to what they think that cost audit should be made obligatory similar to financial audit to safeguard interests of consumers. Around 83% members strongly agree that cost audit should be made obligatory followed by another 12% who reported to agree to some extent. Around 3% members neither agreed nor disagreed whereas, another 3% disagreed with the statement.



DISCLAIMER: The views expressed by the survey participants do not necessarily reflect the official viewpoint of the Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan). Furthermore, Gallup Pakistan has conducted this poll according to the ESOMAR Code of Ethics and internationally recognized principles of scientific polling. The results of this Report do not represent views held by the authors or Gallup Pakistan. The results only represent public opinion, computed on the basis of views expressed by anonymous respondents.