

The accountancy profession: a global perspective

The ICAI is one of 163 IFAC member bodies in 119 countries representing some 2.5 million accountants worldwide. Despite the diversity of countries and cultures, the global profession, as represented by IFAC, is united by its commitment to serve the public interest. This is reflected in IFAC's mission:

To serve the public interest, IFAC will continue to strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speak-

balisation of the economy – of finance, production and trade – has brought with it greater awareness of the value our profession can deliver at all levels – as professional accountants in business providing strategic and financial direction, as professional accountants in practice providing external assurance, as professional accountants in the public sector strengthening governmental accountability, and as entrepreneurs in small and medium practices and enterprises who contribute so much to the development of local economies.

The force of globalisation and the resulting changes in business development and international trade are requiring

clarified. But what we know for sure is that there is greater awareness around the globe about the value of the accountancy profession to business development and growth, to fiscal responsibility of government, and to economic stability and growth worldwide.

India and its accountancy profession have come a long way in terms of both growth and influence. Over the last decade, the Indian economy has posted an excellent average growth rate and has made significant inroads in reducing poverty. And your future looks even more promising. Finance Minister Palaniappan Chidambaram told participants at the World Economic Forum's 20th India Economic Summit, in December 2004, that India is poised for sustained economic growth of seven to nine per cent for the next 10 years. He said that India's sustained growth has been made possible because of the emergence of a, "broad consensus on fiscal discipline and prudence and an acceptance that trade is beneficial."

A strong accountancy profession, as part of a strong financial infrastructure, can support trade and facilitate investment by both the private sector and development partners, thereby contributing to economic growth and to economic and social stability. So how do we strengthen



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The theme of this special issue of *The Chartered Accountant*, focusing on a global perspective of the accountancy profession, is certainly appropriate as the Institute of Chartered Accountants of India (ICAI) celebrates its 55th Anniversary. I sincerely congratulate you on achieving this landmark. The ICAI's long-standing commitment to the development of the global profession is exemplified by the ICAI being a founding member of the International Federation of Accountants (IFAC) some 28 years ago, and it continues to play an active and respected role through its representation on the IFAC Board and various committees.

ing out on public interest issues where the profession's expertise is most relevant.

The value of the profession is linked to our ability to achieve this mission. Glo-

that we continually rethink our role, our responsibilities, and the value that we ultimately deliver. There are paths we have yet to forge and expectations that are still to be

the global profession so that we can address the challenge of contributing to – and most importantly, achieving – economic growth and stability? This can be accomplished by focusing on four critical areas:



- Emphasising the primacy of ethics in all that we do;
- Developing high quality international standards and promoting convergence to these standards.
- Supporting and participating in regulatory structures that result in high quality performance of all those involved in financial reporting.
- Forming strong alliances, so that we can maximise the resources that will enable us to develop the profession, particularly in emerging economies.

Putting ethics first

First, we must encourage and adhere to the highest ethical standards. All accountants should live the IFAC values of integrity, transparency, and expertise. For accountants in public practice, this means

putting the public interest ahead of the client's interest. For accountants in business and industry, it means acting not only in the best interests of shareholders but also those of the public. IFAC's Code of

Ethics for Professional Accountants provides guidance in this regard, and our Ethics Committee is in the process of strengthening that Code. The revised Code will reinforce IFAC's fundamental principles – integrity, objectivity, professional competence and due care, confidentiality and professional behaviour – and provide a clear framework for applying these principles.

It is these values that must and should guide all professional accountants in the delivery of their work. And they are equally applicable to professional accountants in business as they are to professional accountants in public practice. Indeed, it is professional accountants in business who are on the front line in ensuring the fiscal and ethical soundness and accountability of commercial enterprises.

Recognising this critical role, the revised Code will also provide ethical guidance for situations in which accountants working in business encounter fraud or illegal acts.

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A new publication to be released by IFAC's Professional Accountants in Business Committee within the next few months goes a step further. It will provide examples of corporate ethical codes of conduct, drawing attention to the professional accountant in business's role in establishing an ethical "tone at the top."

My personal belief is that probity and profitability go hand in hand. Ethical conduct lies at the core of all business. We do business with those we trust; we get business from those who trust us. Ethics, therefore, are a driver of business growth, which demands attention from boards and investors alike. Similarly, society accepts those that it trusts and ethics are a driver of the social and political acceptability of doing business in corporate form.

The opposite of behaving ethically, is behaving corruptly. And it is corrupt behav-

our that impedes economic development and prosperity. In addition to each and every accountant making a personal commitment to integrity, transparency and expertise, IFAC, its member accountan-

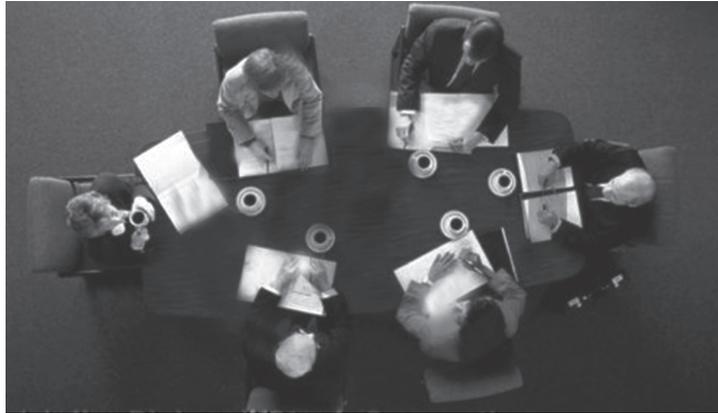
standards and encouraging adherence to those standards, striving for convergence.

High quality standards of financial reporting, auditing and ethics underpin the trust that investors place in

Public Company Accounting Oversight Board and the American Institute of Certified Public Accountants' Auditing Standards Board. Discussions focused on how to improve coordination of work agendas between the IAASB and national standard setters, international convergence, how the clarity of IAASB standards might be improved, the translation of International Standards on Auditing (ISAs), and the development of implementation guidance.

To ensure that ISAs and other international standards are applicable to entities of all sizes in countries at all stages of development, IFAC's Small and Medium Practices Permanent Task Force and Developing Nations Permanent Task Force provide input to the development of ISAs. Both permanent task forces also provide input to the development of International Financial Reporting Standards by the International Accounting Standards Board.

IFAC's education standards help to ensure that there are competent professional accountants worldwide, thereby increasing confidence in the profession. IFAC's Education Committee is also reaching out to stakeholders, such as the United Nations Conference on Trade and Development (UNCTAD), and is channeling its resources on issues of importance to the public. It recently released a proposed new International Education Standard on competence requirements for audit professionals, which applies to all those involved in the audit process.



cy bodies and their members should also encourage sound and transparent government operations. For example, a lack of transparency in the way governments work and how they allocate and implement budgets can encourage corruption and make it difficult to hold them to account. IFAC's Ethics Committee is focused on providing significant new guidance for accountants in government, focusing particularly on their objectivity and independence when performing assurance services. Professional accountants in government, like those in business, have a significant role to play in creating an ethical environment of trust and accountability.

Strengthening International Standard Setting

We can help accountants to meet their public interest responsibilities by developing high quality international

financial and non-financial information alike and thus, facilitate investment and play an integral role in contributing to a country's economic growth and stability.

The International Auditing and Assurance Standards Board (IAASB) develops high quality auditing, assurance, quality control and related services standards, providing global benchmarks for the international profession to improve the quality and uniformity of practice by professional accountants and to contribute to building public confidence in the auditing profession. Well over 70 countries use or rely on these standards as the basis of their own standards.

The IAASB makes it a priority to reach out to stakeholders. In February, the IAASB hosted its fifth meeting with national standard setters. Standard setters from 10 countries attended the meeting, including, in the case of the United States, both the

Our International Public Sector Accounting Standards (IPSASs) are instrumental in ensuring that governments are clearly accountable to their constituents. IFAC's International Public Sector Accounting Standards Board (IPSASB) develops IPSASs to improve public sector financial management and accountability. The IPSASB has released 21 accrual based IPSASs and one comprehensive cash basis IPSAS. These standards are increasingly being used by governmental and other entities. For example, The World Bank advocates the adoption of IPSASs, the Organisation for Economic Co-operation and Development has adopted these standards for its own financial reporting, and the European Commission is also implementing such adoption.

I firmly believe that having a multiplicity of accounting, auditing and other standards around the world is against the public interest. It creates confusion, encourages error and facilitates fraud. The cure for those ills is to have a single set of international standards, of the highest quality, set in the public interest by an international expert body, which transparently consults with, and recognises the legitimate interests of, the international community.

The IAASB, the IFAC Education and Ethics Committees and the IPSASB develop standards that meet these requirements. They ensure that there is a great deal of public input in the process by exposing their draft standards for public comment, by having public members serve

on their committees, and by having consultative advisory groups that comment on their projects and priorities.

Ensuring accountability through compliance and regulation

Developing international standards is of critical importance, but ensuring that the world complies with them is of even greater importance. This is the emphasis of IFAC's Member Body Compliance Program. Launched in March 2004, the program requires adoption of IFAC standards by member bodies and ensures that they have appropriate quality assurance and enforcement programs in place. The first phase of the program, a self-assessment of standard setting and regulatory regimes, is now complete. The ICAI was among the first of more than 140 respondents to supply the required information. The responses are now posted on the IFAC website and can be viewed at <http://www.ifac.org/ComplianceAs->

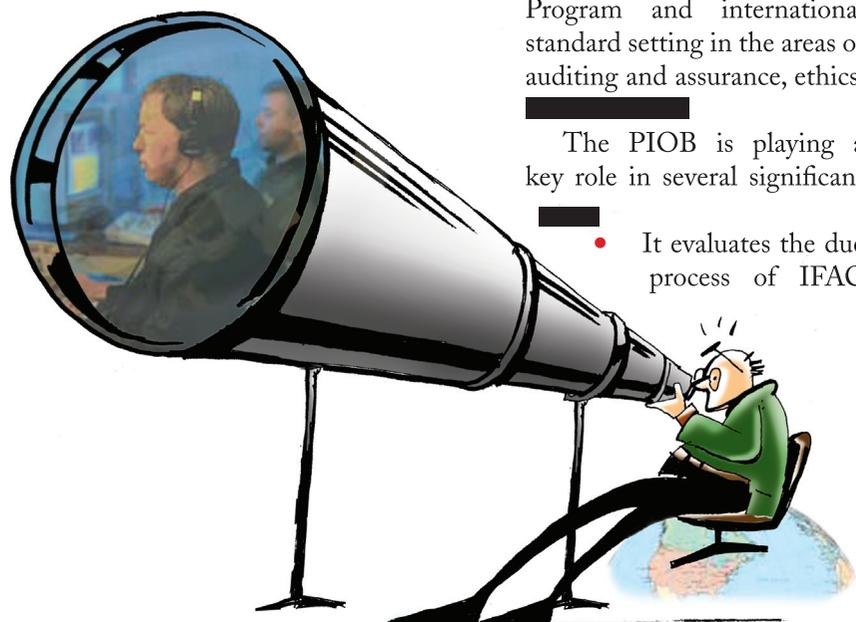
assessment/published_surveys.php. The second phase of the program – focusing on member body compliance with the IFAC Statements of Membership Obligations – will launch later this year.

To build an investment climate of public trust and support a strong accountancy profession, we must accept and participate in regulatory schemes that help us to demonstrate our commitment to high ethical and professional standards. Effective regulation, which addresses the needs of the public without disproportionately burdening the profession and business, can do much to boost the profession's credibility and create an environment of trust.

IFAC, with the support of international regulators, developed a series of reforms that included a new internal regulatory structure and, particularly, a Public Interest Oversight Board (PIOB). Established in February 2004, the PIOB oversees IFAC's Member Body Compliance Program and international standard setting in the areas of auditing and assurance, ethics,

The PIOB is playing a key role in several significant

- It evaluates the due process of IFAC





standard-setting activities and reports publicly.

- It approves the nominations process for IFAC's Public Interest Activity Committees – the IAASB, the Education Committee and Ethics Committee – and provides the final approval of the chairs and other members of these committees.
- It has the right to request that a specific matter be added to the work agenda of a Public Interest Activity Committee.
- It has the right to be an observer, with the right to speak, at IFAC Board and other meetings where matters pertaining to Public Interest Activity Committees are being discussed.

Working in partnership

In order for the accountancy profession to aid in

generating economic growth and stability and in building an investment climate of trust, we must form alliances with outside stakeholders who share our concerns for developing high quality standards, strengthening financial infrastructures, enhancing the profession and raising the quality of life for citizens.

A major area of focus for IFAC is on assisting developing nations in building a responsible accountancy profession and supporting the development of a financial infrastructure within which the profession will operate. IFAC's Developing Nations Permanent Task Force is identifying the specific countries it will work with, helping both those countries where there is no established profession and those that have only begun to build the professional, financial and regulatory architecture

necessary to support economic growth. We recognise, however, that we cannot do this alone. IFAC is already working closely with its member bodies and regional accountability associations. We have established strong relationships with The World Bank and UNCTAD and are actively building closer relationships with other funding and development agencies. Much more can be accomplished when we work together.

As we look ahead, we will be counting on the commitment of our member bodies to support one another, to leverage each other's strengths and to provide the direction and assistance necessary to help advance the profession in developing countries. India is a country that I see as being both a beneficiary of such commitment and a respected leader in helping others. □