

# Growing Profile of an Accountant: Global Perspectives

**International Federation of Accountants (IFAC) aims to serve the public interest, 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 speaking out on public interest issues where the profession's expertise is most relevant. IFAC President Goran Tidström through his organised arguments in (t)his article, presents the IFAC perspective on the role of accountancy profession in the globalised world showcasing the instances from Indian accountancy at various stages of his arguments. Read on...**

Few would argue that the modern business world is nearly unrecognisable from the one that existed when The Institute of Chartered Accountants of India was launched in 1949. The 45-rpm record and the Polaroid camera— cutting-edge technology in 1949— have all but disappeared from use today, with music and photography now digitally integrated into a single device — the mobile phone.

In today's business environment, computers and the Internet have connected people around the world, introducing radical change to the global economy. This same technology, however, amplifies and accelerates the impact of mistakes — whether by individual companies or nations — so they can easily become an epidemic, spreading quickly across the planet. Bad news travels fast in a nation like India, where the number of mobile phone subscribers is rapidly approaching one billion.

So we have to ask: Where does the accountancy profession fit into this new world? As we all know, doubts have been raised about the profession's value in this post-financial crisis world. On the other hand, financial and business information—the purview of our profession—has become much more important for sound decision-making and risk management. In light of these circumstances, there are several tasks before us: We must collectively respond to the doubts about the accountancy profession. And, we must

also demonstrate that we are part of a global solution that contributes to financial stability and economic growth.

The doubts about the accountancy profession stem from a financial crisis, that not only entangled the United States but nations far beyond. The crisis deeply affected—with differing intensities—the entire world. Even today, events in Europe are being watched closely in India, as a euro zone crisis likely will have a damaging effect on the rupee. Understandably, in this post-financial crisis world, many professions and industries are now under a microscope. As professional accountants, we should welcome this scrutiny because it prompts us to remember that trust needs to be continuously earned.

Mark Spofforth, the new ICAEW President, put it best last month when he said that trust is such a fundamental element to a well-run economy and a properly functioning society. To move forward as a profession, we must unflinchingly face tough questions about our contribution to financial and non-financial reporting in a more sustainable world, as well as questions about the value of the audit. So what must we do to renew our commitment to continuous improvement and to become even more valuable and relevant in this new business environment? First, we must participate in a constructive and dynamic dialogue with regional and global policymakers and regulators. We must continue to take a leadership role on public interest issues where the accountancy profession's expertise is most relevant.

Economies at every level benefit when the accountancy profession restates and reinforces its commitment to perpetual improvement, and IFAC will continue to do so. As the global organisation representing accountants, IFAC is uniquely positioned to research and represent the views of the profession with a strong global voice. We also will significantly enhance our focus on public policy and regulation in the coming years.

It is now undeniably clear that business strategy, governance, and sustainability are inexorably linked. We are the reporters of performance and accountability and must meet the serious and demanding need for meaningful



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reporting models and metrics. We must engage and collaborate with others, and commit to active participation and support to create a clear, consistent, comparable framework that integrates financial and non-financial information. In pursuit of continuous improvement, we also must focus on the future of reporting and contribute to the debate on the development and adoption of IFRSs to meet the needs and expectations of all stakeholder groups. Most importantly, the accounting profession must lead the evolution of sustainability and integrated reporting.

We must embrace all parts of the profession, particularly by actively supporting and promoting accountants in business. This includes better outreach to and collaboration with the more than one million professional accountants worldwide employed in commerce, industry, financial services, the public sector, education and the not-for-profit sector. This diverse group is critical to both sustainability and integrated reporting, as well as to the financial reporting chain, governance, and risk management—areas where we must be major contributors.

IFAC’s Professional Accountants in Business Committee (PAIB) is dedicated to serving this constituency and ICAI’s Athalanallur Natarajan Ramanis should be recognised for serving on the PAIB Review Task Force and promoting the work of the IFAC PAIB Committee in the Asian region. Additionally, we must promote and better support small and medium practices (SMP), as these practitioners support small- and medium-sized entities (SME) — a critical sector for global economic stability and growth. SMEs are the engines of the economy and the need to support them cannot be understated.

As I travel to conferences worldwide, it is encouraging to see so much time and effort focused on SMPs and SMEs. There is important dialogue occurring about financing, capacity building, and business support services, and ICAI’s Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF & SMP) maintains a busy schedule of educational programs on a wide range of topics from “Audit Documentation” to “Taxation of Real Estate Transactions.”

Emerging and transitional countries need our profession’s support to develop into strong national economies and contributors to the global economy. Our Professional Accounting Organization Development Committee (PAODC) is making strides in this area. As a founding member of IFAC, ICAI provides an example for others to follow through its regional leadership role in working with emerging nations as well as its involvement with IFAC, which includes participation on the PAODC. Additionally, ICAI Past Presidents Amarjit Chopra and G. Ramaswamy attended IFAC’s recent PAODC meeting as well as the Pan African Federation of Accountants Pre-General Assembly Conference in Tunisia.

So what are the critical tactics required of our profession? First and foremost, we must adopt and implement international standards for auditing, public sector accounting, ethics, and education. As the sole auditing standard-setter for India, ICAI has based its standards on those of the International Auditing and Assurance Standards Board (IAASB). ICAI

also uses standards from the International Ethics Standards Board for Accountants (IESBA) and guidelines from the Government Accounting Standards Advisory Board (which uses corresponding International Public Sector Accounting Standards whenever possible) and this should be considered a significant progress.

Accountability and performance must start from within, such as in ICAI’s Peer Review mechanism. Peer Review assists in maintaining and enhancing the quality of attestation services by providing guidance to members to improve performance and adherence to all technical standards and regulatory requirements.

We must also encourage the G20, FSB and others to achieve regulatory convergence. While there has been great strides made toward regulatory convergence, there is much more to be achieved. The global financial crisis highlighted the importance of regulatory convergence—for example, the need for globally accepted high-quality standards across a number of areas, including financial reporting, auditing and auditor independence, as well as consistent implementation and enforcement. These areas are important for encouraging global economic stability and IFAC supports the G-20’s work to reform the international financial system and reduce informational uncertainty and risk, and thus avoid future financial crises. As a profession, we have keen insight into the development of business and the economy and the interaction between the two, the risks in the financial sector and how it’s regulated. Therefore, it is imperative we support the IASB, the FSB and regulators to find the best models for reporting and risk management in the financial service sector.

Finally, we should heed the lessons of the sovereign debt crisis — that inferior accounting and a lack of transparency and reporting of true economic positions and consequences leads to major threats to the growth and stability of economies around the world.

Accordingly, we must ensure there is equal quality in government and public sector reporting as is currently required in the private sector. Inarguably, the sovereign debt crisis has demonstrated that governments need to be more accountable and transparent and we must work tirelessly to achieve that result. Strong financial reporting is in the public interest and has the potential to improve public sector decision-making, hold governments more accountable to their citizens, and enhance global fiscal financial stability and fiscal sustainability. We must take these actions because our world is changing dramatically in an era of globalisation and technology. The pace of change seems to increase exponentially, which only increases the urgency to act. If we are successful in these areas, we will not only sustain our relevance as a profession, we will enhance it. The accountancy profession sits at the nucleus of strategy, sustainability, governance and integrated reporting and no one else can do what we do.

With the right vision and a roadmap for success, we will help build and maintain global economic growth and stability. Our world has changed dramatically over the 63 years, but so has this profession, which will look even more different only a few years from now. ■