

Opportunities for the Global Accountancy Profession: 2013 and Beyond



Worldwide, leaders, including the economists, have accepted that the global financial crisis did not harm the Indian economy as much as it did to other national economies across the world. IFAC President Warren Allen holds the *strong accountancy profession* responsible for this shock-absorption mechanism. He appreciates the role the ICAI has been playing globally towards the empowerment of the IFAC. He analyses the opportunities in the accountancy world at the moment in this article, where he also addresses the future perspectives of this issue at hand while also considering the accountability and transparency aspects of the profession. Warren became the President of IFAC in November 2012 after serving as Deputy President for two years. He served as a member of the IFAC Board since 2006 and was on the Education Committee, now the IAESB (International Accounting Education Standards Board), for more than 10 years, including as chair from 1998 to 2004. With his rich professional experience, Warren submits a commanding write-up on the accountancy profession. Read on...



Warren Allen

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At this juncture in 2013, the global accountancy profession continues to face many challenges at many levels—locally, nationally, and globally—and IFAC stands ready to support our profession in seeking the best solutions.

As a profession, foremost among the many challenges we face is the lack of proper financial management processes, including financial reporting, that pervades many jurisdictions' public sector entities. The aftershocks of the global financial crisis (GFC) are

still being felt in many parts of the world and these serve as a warning that a comprehensive reform is required.

A recent IMF (International Monetary Fund) November 2013 report, *Fiscal Transparency, Accountability, and Risk*, clearly illustrates the risks resulting from nations operating without complete financial information, which contributed to economic and financial disaster in places including, but not limited to, Greece and Portugal, with the crisis' impact being felt in many parts of the world.

However, in India, where many experts report that economic growth is slowing down, it is to a rate many nations would envy. And, as we know, a strong accountancy profession is one of the core foundations of that economic growth.

Quite rightly, the regulators of private sector global business activity do not tolerate such archaic and inaccurate systems of financial management. Why is it then, in this modern age, that we regularly see huge public sector operations with no proper accrual basis of accounting, no balance sheet recording assets and liabilities, no understanding of financial commitments/contingencies, a lack of a proper budgeting process, and limited or no accountability mechanisms?

This surely is the accountancy profession's number one public interest issue to address. It also provides a wonderful opportunity for the profession to act collectively to help solve this unacceptable situation. And, it offers wonderful opportunities for IFAC, together with the International Public Sector Accounting Standards Board (IPSASB), IFAC's member organisations such as ICAI, accounting firms of all sizes (which have excellent channels into public sector entities), and also individual members of the profession.

In an era with heightened demands on the systems of transparency and accountability, across all sectors of global endeavour, we, the accountancy profession, cannot be passive in our objective to contribute to the betterment of the communities we serve. IFAC has long had this objective as part of its mission and it remains as one of the key components in our 2013-2016 Strategic Plan, approved at the Council Meeting in November 2012.

As we know, a strong accountancy profession is one of the core foundations of economic growth.

We have the ability to apply our skills and training to this market-demanded change and we must continue to marshal our talents to meet this challenge.

IFAC's member organisations, including ICAI, are committed to this objective. Many individuals within the profession are also increasing their knowledge in this important area in preparation for future involvement. We at IFAC applaud all these initiatives, and wish them future success.

Besides pushing for public sector financial management reform, which includes the adoption of International Public Sector Accounting Standards (IPSASs), there also are other ways in which the profession, at both the international and the national levels, can respond to a demand for enhanced corporate reporting that aids organisations in communicating performance to investors and other stakeholders.

One of those ways is integrated reporting (IR), which provides a clear and understandable picture of an organisation from a financial, governance, social, and environmental perspective, connecting information about an organisation's current decisions with its future prospects. It is the next phase in the evolution of corporate reporting, linking information about strategy, risk, and remuneration.

While IR is only one aspect of the solution to this crisis, it is the one professional accountants are most familiar with and which has the greatest credibility with them.

With every crisis, whether the current global sovereign debt crisis or the one associated with Enron and WorldCom, we are reminded of how much reliance is placed on financial information in its current form. The problem is not that the current model is broken, so much that it does only part of the job.

IR demands a change in the manner an organisation reports and may lead to some change in the way an organisation thinks and operates, in its strategy development, governance, and management processes.

IFAC strongly supports the work of the International Integrated Reporting Council (IIRC), with the IFAC president serving as a Council member and IFAC's former chief executive serving as chair of the Working Group; in addition, IFAC provides staff support for the development of the IR Framework.

The accountancy profession plays a vital facilitating role in bringing integrated reporting to more organisations, and the Framework will help guide organisations and professional accountants in this process.

In April, we saw the release of the proposed IIRC Framework, which is expected to be a critical tool for businesses as they create integrated reports and drive integrated thinking in their organisations.

The Framework is currently in its consultation phase, which ends 15th July. Feedback from individual accountants and the profession on the proposed Framework is critical as the IIRC aims to create a Framework to help businesses communicate value in the 21st century.

This is where the greatest opportunity exists for the accountancy profession—to be part of a much-needed collective and coordinated approach across all sectors of the business world. We have the ability to apply our skills and training to this market-demanded change and we must continue to marshal our talents to meet this challenge.

Finally, I wish to discuss the impact these two global challenges will have on the demands placed on the global accountancy profession. When we successfully achieve the widespread adoption and implementation of public sector financial management reform and IR, among other factors, our profession may well be exposed as being too small to properly meet the demands of our global communities. We need to start now in recruiting the best and brightest from our educational institutions to join this wonderful profession.

The opportunity for us to be successful in this recruitment has never been better. A consequence of the GFC is the banking and finance industry is less attractive to new professionals than it has been in the past several decades. The timing is superb for the accountancy profession to seize this opportunity to build our numbers with well-educated professionals. I consider the encouragement, recruitment, and training

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of new talent to replace oneself to be a crucial element of being a professional.

This opportunity will benefit from a collective approach; we all have our part to play. Many areas of the world, not just the developing world, are currently critically short of professional accountants and this situation is going to be exacerbated with the successful implementation of several of our current global objectives. Professional accountants, regardless of their location in the world, should not fear for a lack of worthwhile future potential or opportunity—the prospects for this profession are amazing.

Accountancy is truly the global profession and, with the implementation of global standards in accounting, auditing, ethics, public sector accounting, and accounting education, the global mobility of professional accountants is easily facilitated.

These are not the only challenges and opportunities we are currently facing, but they are critical to our role in serving the public interest and ensuring we play our part in the global economic enhancement, the development of sustainable organizations, and the support of better communities.

The Institute of Chartered Accountants of India (ICAI) is one of the founding member of IFAC and, since 1977, its members have worked tirelessly to ensure that the global accountancy profession is recognised as a valued leader in the development of strong and sustainable organisations, financial markets, and economies.

The progress IFAC has made over the years would have been impossible without the efforts of the ICAI members who have served or currently serve on our boards and committees, making invaluable contributions through their experience and energy.

For more than six decades, ICAI has been at the forefront, developing itself to compete globally and evolve with the worldwide economy. Its “Vision 2030” reflects many of IFAC’s goals, especially achieving transparency, sustaining a trusted and independent profession, and embracing strong ethics. We at IFAC applaud ICAI’s efforts as it works to achieve all its “Vision 2030” objectives. ■