

## IFAC Study Shows Accountancy Strongly Linked to Prosperity, Improved Living Standards

The accountancy profession is strongly linked to national economic growth and improved living standards, and it contributes USD \$575 billion annually to the global economy, according to a report by the International Federation of Accountants, the global organisation for the accountancy profession. Fayeze Choudhury, IFAC Chief Executive Officer, said, *“This report highlights the scale of the profession’s importance to the global economy. It confirms a particularly exciting economic opportunity in the rapidly developing Asian and South American regions. And the findings verify the profound importance of IFAC’s mission—and that of the global profession—to help strengthen accountancy capacity in developing countries, where accountants have a significant role to play in strengthening the institutions and architecture that will improve peoples’ lives.”* For the first time, IFAC has definitively linked a strong accountancy profession to improved living standards for citizens. Launched at the recent Singapore Accountancy Convention, ***Nexus 2: The Accountancy Profession—A Global Value Add***, a study conducted by the independent Centre for Economics and Business Research (Cebr), found that global regions with a higher share of accountants in total employment have a higher per capita GDP. The correlation between the share of accountants in total employment and the UN Human Development Index (HDI) is even stronger. The HDI measures a number of indicators including life expectancy, years of schooling, and income. The global accountancy ecology—which includes members of IFAC professional accountancy organizations (PAOs) as well as people who identify their roles as accountancy or accountancy support—contributes an estimated \$575 billion gross value added (GVA) annually to the global economy and, of this amount, IFAC PAO members contribute 43%. Highly developed countries in North America and Europe dominate the GVA of the global accountancy ecology; Asia’s contribution is third highest.

## IFAC Releases New Thought Paper Setting Out a Vision for Integrated Thinking

To facilitate the contribution of professional

accountants to integrated thinking—and help align capital allocation, corporate behaviour, financial stability, and sustainable development—the International Federation of Accountants has recently published ***“Creating Value with Integrated Thinking: The Role of Professional Accountants”***. The thought paper sets out a vision for integrated thinking and explores what professional accountants working in the public and private sectors can do in practical terms to facilitate it in their organisation, regardless of whether their organisation is planning to publish an integrated report. It identifies five key elements, which, if implemented, can lead to more effective organisations. This ultimately provides the basis for shifting from today’s financially oriented reporting to integrated reporting. “Integrated reporting continues to gain global momentum and help change the way businesses think about creating value over time. But it is integrated thinking that will ultimately change corporate behaviour and lead to more resilient organisations and greater trust in business and government,” said IFAC CEO. “Professional accountants—as business partners involved in organisational leadership and decision support—can use integrated thinking as a means of engaging those beyond the finance and accounting departments to facilitate resilient organizations that create value over the short, medium, and long term.” The thought paper reflects integrated thinking as we understand it today, given that this is a period of experimentation for many organizations.

## Thought Paper on Integrating Risk Management

Most people in an organisation are primarily focused on doing their job well. And this is how it should be, as the main objective of an organisation is not to manage risk, nor to have controls, but to ensure that it makes the best decisions and achieves its objectives. If employees were obliged to implement a risk management and internal control system around their activities it would merely be seen as a distraction. Establishing an explicit connection between how risk affects their jobs and their objectives, however, makes them more inclined to manage the related risk as well. Unfortunately, most standards, frameworks, and guidelines still treat risk management as a separate process or a

non-integrated, stand-alone function, rather than as an integral part of managing an organisation, including strategic and operational planning and decision making, execution, monitoring, review, and continuous improvement. As a first step in filling this gap, IFAC has developed a thought paper, with the support and guidance of Professional Accountants in Business Committee, **“From Bolt-on to Built-in—Managing Risk as an Integral Part of Managing an Organization”**. The paper demonstrates the benefits of properly integrating the management of risk and provides guiding principles and a practical example on how such integration can be achieved.

## IFAC Urges G-20 Action on Growth

The International Federation of Accountants has submitted **12 recommendations for endorsement** by the Group of Twenty (G-20), urging action on issues impacting the G-20 priorities of robust, inclusive growth. “Quite a bit has been achieved through the G-20’s leadership under the substantial pressures of the global financial crisis—but now is no time for complacency,” said Fayeuzul Choudhury, IFAC’s Chief Executive Officer. IFAC’s 12 recommendations focus among other things on ‘Good governance and regaining trust,’ ‘Globally consistent, good regulation,’ ‘Resolving poor financial management, transparency, and accountability,’ and ‘A transparent, fair, and effectual international taxation system.’ We’re at a crucial juncture—growth continues to wane or completely elude economies around the world despite massive, unsustainable monetary stimulus since the global financial crisis. A complex, fragmented regulatory environment is emerging, and there is no clear sight of how this is impacting growth.”

## 2015 Handbook of International Education Pronouncements

The 2015 Education Handbook of IAESB has been recently released and contains the IAESB’s suite of the newly revised and redrafted International Education Standards (IES) 1-6, the re-drafted IES 7, *Continuing Professional Development (2014)*, IES 8, *Competence Requirements for Audit Professionals (2008)*, and the revised *Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants*.

It replaces the 2014 edition of the *Handbook of International Education Pronouncements*. One of the more significant changes to the handbook is the addition of a new section that includes the newly revised IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements*, that have been approved by the IAESB, but are not effective at the time of the handbook’s release.

## Accountants as Partners in Crime Prevention & Reporting

“For those who pay bribes, or don’t do enough to prevent them, the world is getting smaller every day,” says the *Foreign and Corrupt Practices Act Blog*. Commentators on economic crime have recently observed an upswing in both enforcement of anti-corruption legislation and compliance with laws and regulations around the globe and the accountants can be crucial as partners in crime prevention and reporting in present global scenario, according to by **Samantha McDonough**, Professional Standards Support Manager, Chartered Institute of Management Accountants. In an article in IFAC Knowledge Gateway, he argues that even North Korea recently announced the creation of an anti-corruption agency. Laws and regulations are instigated almost every day, somewhere in the world. The success of these laws relies on their enforcement which, in turn, relies heavily upon the acuity of those working in business and their ability to spot suspicious activity. Accountants are in a good position to identify activity that may be indicative of corruption through their preparation of financial information and their ability to spot anomalies or irregular activity.

## Materiality in Integrated Reporting

The International Integrated Reporting Council and IFAC have recently released a publication, which offers guidance for preparing integrated reports. It supports the International Integrated Reporting <IR> Framework by explaining materiality, and the corresponding materiality determination process, in the context of integrated reporting. It also outlines expectations for materiality-related disclosures. Integrated reporting enhances the way organisations think, plan and report the story of their business.