

## The Role and Evolution of Professional Accountants in Serving the Public Interest

*It is many generations since we have faced such a difficult and widespread challenge to lives and livelihoods as the one we face today with the COVID-19 pandemic.*

*The ongoing shock to the global economy has made the future uncertain. The whole world is looking toward both short-term and long-term mitigation and recovery.*

*The accountancy profession is no exception. Much of the progress we all hope to see will hinge on how accountants can adapt to new and future conditions in economies, societies, technology, and the natural environment.*

*Our profession has long stood for the public interest. That commitment is even more important today as we support a swift, just, and sustained recovery from the current crisis.*

*Read on. . . .*

### Alan Johnson

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During this crisis and beyond it, three areas stand out for the profession's attention and continued dedication to working in the public interest. All three will be fundamental to the world's successful recovery from the damage brought about by COVID-19.

First is the quintessential role of personal and professional ethics in professional accountancy. Our commitment to ethics, as part of our public interest mandate, distinguishes the accountancy profession and helps us handle difficult and uncertain circumstances, at

the individual and institutional level.

The International Code of Ethics for Professional Accountants lays out five principles for accountants to abide by: integrity, objectivity, confidentiality, professional competence and due care, and professional behavior. The Code is a framework that professional accountants are to apply to address threats to the application of these principles. Collective action to fight for ethical behavior and transparency in all sectors must be a joint goal of





governments, businesses, and civil society—and our profession has an important role to play, grounded in these principles. This collective action should include increasing transparency, committing to whistleblower protection, and creating formal mechanisms to fight financial crime, money laundering, bribery, and data breaches, among many other challenges that bring ethical considerations.



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As governments and companies seek to rebuild the economies and address the terrible impact of COVID-19 on its citizens, professional accountants everywhere need to ensure that our ethical principles are applied consistently.

Second is the importance of small and medium size enterprises (SMEs) to the global economy and, by extension, the partnerships between SMEs and small and medium size practices (SMPs).

Most of the world's businesses—especially in emerging economies—are SMEs, and the recovery of SMEs will be critical for economies to get back to sustained growth. SMPs are, for many SMEs, their preferred partner for the services that professional accountants provide. But today SMEs are teetering as the global economy falters. Huge numbers of them face, or already have gone through, bankruptcy. The widespread failure of SMEs will be disastrous, and the effects will not be self-contained. The supply chains of large corporations are critically dependent on SMEs. Truly everyone has a stake in supporting these businesses. SMPs must be there for SMEs—not only out of principle, but also because they have unique advantages to offer.

SMPs benefit from close and longstanding personal relationships with their SME clients. They are physically closer and very responsive to their clients' needs. And the great trust at the heart of the SMP-SME relationship allows professional accountants to step further into the role of a "trusted advisor"—a necessary evolution in the role of the professional accountant.

SMPs have another advantage: agility. The ability of businesses to deal with severe disruption under enormous pressure will depend, among other things, on their ability to use available relief resources provided by governments to weather the COVID-19 storm. The proliferation of these programmes has generated much-needed support for SMEs, but has also created technical and bureaucratic challenges. SMEs will need the help of SMPs, as their trusted advisors.

Third and finally, the integrity and professionalism of the accountancy profession in the public sector is, and will continue to be, vital. In many countries the public sector is not only the largest employer, but is also often the largest investor. The massive fiscal measures being implemented by governments around the world require transparent decision-making and high-quality accounting and reporting. The alternative—an opaque system—risks creating inefficiencies and enabling fraud and corruption that undermine the public interest.

# Vision – Global Leaders

Those affected most by failures of the public sector to fight fraud and corruption are the poorest in society—those same citizens who already bear the worst brunt of the COVID-19 pandemic. When public services fail, societies suffer, and ordinary people have the most to lose. When professional accountants work in the public sector, they work for those who need the public sector's support most.

In anticipation of future challenges, it is important to note that as time passes, public sector financial management will grow more entwined with the climate emergency. Pursuing sustainable development, as defined in the UN Sustainable Development Goals (SDGs), is an exceptionally important aspect of professional accountants' work in the public sector. IFAC supports the development of and convergence towards international standards to ensure relevant, reliable, and comparable information promotes sustainability considerations in all decisions.

Professional accountants in both the public and private sectors need to take the lead across the world in areas such as environmental impact reporting, gender equality across



all sectors, strong and widely accessible education, and much more within the profession's remit as public servants. There is no time to lose in taking the actions needed to deliver on the SDGs. We must strive for a sustainable future. This is what we mean by "acting in the public interest". COVID-19 has taken far too many lives across the world and damaged economies everywhere. But failure to deliver the SDGs will lead to even more damage over the coming decades.

The accountancy profession, like every stakeholder in social and economic progress, is facing much greater uncertainty—in the present, and in the future—



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than at any other time in recent memory. Although the scope and scale of this crisis is formidable, the idea that change and adaptation are necessary is not new: the profession has been reckoning with its evolving role for many years amid other disruptive trends, such as digitalization.

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It is a pleasure to join you in celebrating your "Chartered Accountants Day" which coincides with the foundation of the Institute of Chartered Accountants of India. ICAI is a founding member of the International Federation of Accountants (IFAC), and as strong a global body has contributed in the fields of accounting, audit, and professional ethics through its strong education and training programmes. On behalf of IFAC I salute you on your anniversary.

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