

**Professional Accountants in
Business Strategy and Work Plan
for 2010-2012**



**International Federation
of Accountants**

REQUEST FOR COMMENTS

The International Federation of Accountants (IFAC) presents the proposed *Professional Accountants in Business Strategy and Work Plan for 2010-12* (the Plan) for public comment. The proposed Plan was prepared by IFAC's Professional Accountants in Business Committee (PAIB Committee). It may be modified in light of received comments before being issued in final form for presentation to the PAIB Committee and IFAC Board.

Respondents are asked to submit their comments electronically through the IFAC website (www.ifac.org/paib), using the "Submit a Comment" link on the Exposure Drafts and Consultation Papers page. Please note that first-time users must register to use this new feature. Although IFAC prefers that comments be submitted electronically, e-mail may continue to be sent to edcomments@ifac.org. All comments will be considered a matter of public record unless otherwise requested. **Responses should be sent by July 14, 2010.**

GUIDE FOR RESPONDENTS

The PAIB Committee welcomes comments on all matters related to the proposed Plan. Anyone offering comments should refer to specific sections of the proposed Plan, include the reasons for the comments and, where appropriate, make explicit suggestions for proposed changes. The PAIB Committee would also like to hear from respondents who agree with this exposure draft.

Comments should be addressed to:

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Copies of this exposure draft may be downloaded free-of-charge from the IFAC website at <http://www.ifac.org>.

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PROFESSIONAL ACCOUNTANTS IN BUSINESS STRATEGY AND WORK PLAN FOR 2010-2012

PREPARED BY IFAC'S PROFESSIONAL ACCOUNTANTS IN BUSINESS COMMITTEE

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Chairman's Statement

I am pleased to present the proposed Professional Accountants in Business Strategy and Work Plan for 2010-2012 (the Plan) for public comment. Following the recent IFAC Board review of IFAC activities related to professional accountants in business, the Professional Accountants in Business Committee (the PAIB Committee) was asked to help formulate IFAC's strategy in relation to professional accountants in business. Although the Committee undertook the task with its own brief in mind, the actions flowing from this strategy will affect both this committee and other parts of IFAC.

An earlier version of this strategy was presented at IFAC's 2010 Chief Executives' Strategic Forum. This wider consultation is an opportunity for member bodies and other key stakeholders to comment on the proposed vision, strategic direction, and corresponding work plan.

Professional accountants in business represent well over half of the total number of professional accountants. They work as employees, consultants, and self-employed owner-managers or advisors in commerce, industry, financial services, the public sector, education, and the not-for-profit sector. On the one hand, their strength of numbers and wide range of roles is a testimony to the contribution made by the accountancy profession to all these areas of economic activity. On the other hand, it presents challenges to IFAC and its member bodies in representing and providing services to this diverse constituency. The proposed strategic direction provides a basis for IFAC to determine how best to serve the professional accountants in business community at a global level. It focuses on enhancing the profile of professional accountants in business and providing them with an influential voice.

The strategic planning process provided an opportunity to consider the PAIB Committee's direction, and identify activities where IFAC might have the greatest impact and value for the largest number of member bodies in helping them to encourage and support their professional accountants in business members. We welcome feedback from (a) member bodies and associates, (b) regional organizations and acknowledged accountancy groupings, and (c) other key stakeholders and interested parties. Your responses on both the strategy and work plan will enable IFAC to take confident steps to support a critical part of the profession at a particularly turbulent time.

The financial crisis and its aftermath brings into focus significant challenges not only for governments, regulators, and standard setters, but also for all organizations (public and private) and the professional accountants who serve them. The proposed strategy and work plan proposes a package of activities that will position the global accountancy profession and professional accountants as organizational and financial navigators, steering a course for their organizations through the challenges and opportunities that lie ahead towards a future that offers sustainable economic growth.

This represents a challenging journey, but in my view it is both the right course and potentially an exciting one for IFAC and its members.

Roger Tabor

Chairman, Professional Accountants in Business Committee

May 2010

Section 1 Overview

This strategy and work plan sets out IFAC's vision, strategic direction, and corresponding work plan in relation to professional accountants in business for the period 2010-2012. Prepared by the PAIB Committee, the strategy is cast within the context of the current and anticipated environment and the perceived needs of organizations in general. It sets the direction and priorities of IFAC's services relevant to professional accountants in business. The strategy is incorporated into the overall IFAC Strategic Plan for 2011-2014, and the work plan is reflected in the overall IFAC Operational Plan for 2011, and in the budgets for 2011 and 2012.

The activities defined in the strategy, particularly those relating to enhancing the profile of professional accountants in business and providing an influential voice for professional accountants in business, require close collaboration across IFAC's activity areas.

1.1 Who are Professional Accountants in Business and Where Do They Work?

IFAC uses the expression "professional accountants in business" to refer to all those members of the profession who work other than in public practice (i.e., firms of accountants or sole practitioners). They are a very diverse constituency, and can be found working as employees, consultants, and self-employed owner-managers or advisers in commerce, industry, financial services, the public sector, education, and the not-for-profit sector. Although always having this grouping in mind, the strategy and work plan refers simply to "professional accountants," adding "in business" only where it is necessary to distinguish them from professional accountants in public practice.

What roles do they perform?

To support and further the strategic, financial, and operational aims of the organizations in which they work, professional accountants perform four broad roles:

- **Creators of value** in organizations, by (a) being involved in leadership roles in governance, strategy, and performance management and (b) overseeing the allocation of resources to ensure long-term sustainable value creation. Examples of job roles include executive director, chief financial officer (CFO)/financial director (FD), director of governance or operations, and treasury manager;
- **Enablers of value** in organizations, by influencing and supporting those who make decisions, and challenging assumptions and conventional thinking. Examples of job roles include business unit controller; business, financial, or performance analyst; management or cost accountant; in other words, professional accountants who will typically assist and guide managerial and operational decision making and implementation of strategy as business partners;
- **Preservers of value** in organizations, by identifying, prioritizing, managing and controlling, mitigating, and reporting strategic and operational risks. Examples of job roles include risk and business assurance manager, financial risk manager, compliance manager, and internal auditor. Professional accountants in highly specialized roles in areas such as tax planning can be both preservers and enablers of value;

- **Reporters of value** in organizations, by measuring performance, capturing financial transactions and non-financial measures of performance, and preparing high-quality business and financial reporting to stakeholders, including investors, customers, employees, regulators, and suppliers. Examples of job roles include group controller, head of reporting, investor relations manager, and financial or management accountant.

In their various roles and multi-disciplinary teams, professional accountants contribute directly to the success of their organizations. They also apply their core capabilities – (a) managing opportunity, risk, and control, (b) measurement, (c) recording, and (d) communicating and reporting to support decision making – to emerging challenges, such as climate change. This ultimately contributes to developing sustainable organizations and financial markets and strong international economies – an important outcome from an IFAC perspective.

The constituency of professional accountants in business represents over half of the global profession. The roles of professional accountants are diverse and often not uniformly understood, particularly how they service the public interest and contribute to sustainable economic growth. They compete with non-accountants rendering services in their areas of expertise. Furthermore, they rely on sources from both inside and outside the profession to stay current, and for support and advice.

1.2 The Needs of Society, Financial Markets, and Organizations

The financial and economic crisis that started in 2008, and uncertain path to recovery, is of overwhelming significance for governments, regulators, and financial markets, likewise for public and private sector organizations and the professional accountants they employ. The crisis and its aftermath bring into focus significant challenges, most notably:

- Moving to a model of sustainable economies and corporate responsibility, where organizations pursue more sustainable strategies and actions and take into consideration a broader range of stakeholders;
- Balancing compliance requirements with the need to drive organizational performance and remain competitive within an increasingly global economy; and
- In some jurisdictions, the need for significant and rapid reduction of government expenditure and debt.

The current uncertainty puts into the spotlight those core issues that need to be addressed to foster sustainable economic growth. These include (a) more effective governance, regulation, and oversight, as well as (b) more effective political and organizational infrastructures and processes, to minimize the risks associated with globalization and to ensure inclusive growth (i.e., not leaving behind parts of an economy, particularly in emerging economies).

The charting of a new course from crisis to recovery presents an opportunity to position the global accountancy profession and professional accountants as organizational and financial navigators, contributing to the implementation of measured and effective responses to help foster sustainable economic growth. Specific challenges in dealing with issues arising out of the financial and economic crisis include:

- providing integrity, objectivity, and professional and ethical behavior at all levels of organizations;

- ensuring a strong link between business strategy, governance, and sustainability so that boards and managers consider these areas in an integrated rather than functional manner. To operate successfully within a competitive environment, an organization's strategy and governance structures will have to be closely aligned with the sustainability of its operations, processes, products, and customers;
- delivering effective governance practices, so that organizations achieve a balance between conformance with rules and regulations and driving stronger financial and organizational performance;
- establishing or enabling enterprise risk management and control as a strategic activity and an integral part of an organization's governance system, as well as integrating it into how an organization makes decisions and manages performance;
- managing appropriately the behavioral aspects of performance management and measurement, including the remuneration of management and employees, so that it is aligned with the achievement of long-term sustainable value creation; and
- preparing high-quality business reporting by organizations in the private and public sector to enable stakeholders to make a more informed assessment of the economic value of an organization and its future.

IFAC's central role in relation to professional accountants should be (a) to raise awareness of their contributions as creators, enablers, preservers, and reporters of value, and (b) to help member bodies to support the competence of their members in a way that meets the needs of the organizations that employ them. This will affirm the important role that professional accountants have in developing sustainable organizations, financial markets, and strong international economies, and strongly associating them with public interest accountability.

Section 2 Vision

The vision and desirable outcomes presented here, together with the strategy, respond to an analysis of the environmental factors and other issues affecting IFAC's services relevant to professional accountants in business. These factors and issues are discussed in Appendix 1.

IFAC's *vision* in relation to the professional accountants whose interest it serves is:

Global recognition of professional accountants as business leaders and strategic partners in building long-term sustainable organizational success

This vision focuses on enhancing the profile, influence, and relevance of professional accountants. It recognizes that many professional accountants are in a position of strategic or functional leadership, or are otherwise well placed to collaborate with colleagues in other disciplines to create long-term sustainable value for their organizations. Business leaders typically perform director or management roles, while strategic business partners support and participate in decision making and direction at various levels of the organization. Long-term sustainable success requires responsible organizations to direct their strategies and operations to achieving sustainable economic, social, and environmental performance.

To successfully pursue this vision, IFAC will have to influence key stakeholders so that they associate professional accountants with high-quality personal and organizational performance. The stakeholders that IFAC and its member bodies should seek to influence include regulators, standard setters, opinion formers and, particularly, all organizations that employ professional accountants.

Section 3 Strategic Objectives, Strategic Direction and Output

3.1 Strategic Objectives

The strategic objectives provide context for the activities necessary to pursue the vision. These objectives are:

- 1. To increase awareness of the important roles professional accountants play in creating, enabling, preserving, and reporting value for organizations and their stakeholders; and**
- 2. To support member bodies in enhancing the competence of their members to fulfill those roles by facilitating the communication and sharing of good practices and ideas.**

The strategic objectives, which are mutually reinforcing, are based on an analysis of where IFAC can best add value to its member bodies.

This analysis recognizes that:

- although it is the competence and potential of individual professional accountants that will ultimately determine success in achieving the vision, it is the member bodies that are IFAC's most immediate stakeholders. IFAC does not typically communicate directly to professional accountants, nor does it strive to; and
- increasing the awareness of the roles of professional accountants in driving sustainable organizational performance requires evidence of how they support the effective functioning of organizations.

International service delivery therefore should focus on international, strategic, and emerging issues in the following areas, and should include IFAC's leadership on matters concerning the roles, domain, and competences of professional accountants in these areas:

- Governance and ethics;
- Risk management and control;
- Sustainability and corporate responsibility;
- Financial management; and
- Business reporting.

IFAC's unique international position provides an opportunity to facilitate the sharing of good practices and ideas, particularly but not exclusively among its member bodies.

3.2 Strategic Direction

The direction required by the vision and strategic objectives is made up of four strategies to guide delivery of the objectives. These strategies provide context to the work plan:

1. *Delivering activities to enhance the **profile** of professional accountants within the business world;*
2. *Giving professional accountants the means to improve their **organization’s performance**;*
3. *Supporting **IFAC member bodies** in their work with and for professional accountants in business; and*
4. *Providing an influential international voice for professional accountants in business.*

The key activities within each of these four elements are highlighted in the table below. More detailed work plans, organized within these elements, are found in Appendix 2.

Strategies	Key Activities
1. <i>Delivering activities to enhance the profile of professional accountants within the business world</i>	<ul style="list-style-type: none"> • Promoting a better understanding of what professional accountants do in and for organizations, their competences, and their contribution to long-term sustainable organizations. • Evaluating and deploying effective communication approaches to influence the perceptions of key stakeholders.
2. <i>Giving professional accountants the means to improve their organization’s performance</i>	<ul style="list-style-type: none"> • Developing commonly applicable international good practice and other outputs by sharing, consolidating, and synthesizing materials in areas of international and strategic importance, and by supporting member bodies to make these materials widely available. • Supporting member bodies in enhancing the competence of their members who are professional accountants in business and the relevance of their professional education.
3. <i>Supporting IFAC member bodies in their work with and for professional accountants in business</i>	<ul style="list-style-type: none"> • Facilitating the communication and sharing of good practices and ideas across the profession. • Recognizing diversity of member bodies and supplying them with suggested approaches and methods to retain and engage with their professional accountants in business members; • Considering whether and, if so, how to engage those countries where professional accountants in business are not considered members of the profession.

Strategies	Key Activities
4. <i>Providing an influential international voice for professional accountants in business</i>	<ul style="list-style-type: none"> • Speaking out in areas of public and professional concern to key international, regional, and national organizations where IFAC and the professional accountants' expertise is most relevant, including (a) the role and competences of professional accountants in business, (b) their role in delivering best practices in sustainability and governance, (c) risk management and internal control, (d) financial management, and (e) the evaluation and improvement of business reporting.

3.3 Output

The following types of output are issued to fulfill the strategic objectives:

- *International Good Practice Guidance (IGPG)*¹: These publications foster a common and consistent approach to the work of professional accountants in areas of international and strategic importance; they focus on the role of professional accountants in business and emphasize evaluation and improvement of the areas of international and strategic importance. Visit the International Good Practice Guidance part of the Professional Accountants in Business Committee section of publications and resources on the IFAC website: (<http://web.ifac.org/publications/professional-accountants-in-business-committee/international-good-practice>);
- *Information Papers and Special Reports*: These provide a detailed investigation into a particular subject of relevance to professional accountants in business, and sometimes include an interview-based approach. Visit the following parts of the Professional Accountants in Business Committee section of publications and resources on the IFAC website: Information Papers: (<http://web.ifac.org/publications/professional-accountants-in-business-committee/information-papers-1>), and Other Publications: (<http://web.ifac.org/publications/professional-accountants-in-business-committee/other-publications-1>);
- *Consultation or Discussion Papers*: These papers seek comments from interested parties on the issues described, or promote discussion on issues affecting professional accountants in business. Visit the Exposure Drafts and Consultation Papers part of the Professional Accountants in Business Committee section of the IFAC website: (<http://www.ifac.org/PAIB/ExposureDrafts.php>). Documents will be posted when they are available for public comment;
- *Web-based resource centers*: These centers synthesize and highlight key issues and considerations for professional accountants in business and facilitate the sharing of member

¹ [The Preface](#) outlines the prime purpose of the PAIB Committee's *International Good Practice Guidance* program.

body and other resources and information. For an example, view the Global Financial Crisis center: (<http://www.ifac.org/financial-crisis/>); and

- *Forums and round tables of experts and interested parties:* These discuss key trends, issues, and emerging themes, their impact on the global profession, and how best to respond to and support the profession.

The 2009 web-based [Sustainability Framework](#) was a successful first attempt to embrace web delivery of an output developed in a way that allows easier access, navigation, and ongoing maintenance and updating. IFAC will continue to explore ways of using web-based approaches to deliver other outputs.

Section 4 The Importance of Defining the Common Values of the Professional Accountant

Professional accountants are recognized by different designations around the world – for example, Chartered Accountant (CA) or Certified Public Accountant (CPA), Chartered or Certified Management Accountant (CMA), Expert Comptable, or Contador Publico – the brand values associated with these designations are in the custody of the individual member bodies. As the representative of the global accountancy profession, IFAC acts as the custodian of the overarching common values implied by “professional accountant” for all member bodies, characterized by integrity, objectivity, transparency, and the commitment to achieve and maintain expertise and to behave ethically.

Working with and through its member bodies by means of codes and standards, IFAC facilitates wide acceptance of and compliance with these values. In this way, IFAC ensures that those who can be described as “professional accountants” (regardless of how they are known in a particular jurisdiction or institute) can be relied on to demonstrate, and perform consistently with, the values in a manner on which those who employ or engage them can rely. In the context of professional accountants in business, IFAC assists its member bodies in developing and promoting good practice applicable to the professional accountants’ various organizational roles, and also provides the *Code of Ethics for Professional Accountants*.

Section 5 Communication

5.1 Communication Objectives

A Professional Accountants in Business Communications Plan highlights the following communications objectives as key to supporting the strategy and work plan:

- To promote the role that professional accountants play in contributing to the development of sustainable organizations and financial markets and strong international economies;
- To create awareness among member bodies and other key stakeholders of IFAC’s and its member bodies’ services that are relevant to professional accountants in business; and
- To share information and knowledge with and among member bodies, recognized regional organizations, acknowledged accountancy groupings, and other key stakeholders.

To deliver on the communication objectives, IFAC aims to influence stakeholders with a perspective wider than a single jurisdiction, such as international regulators, international standard setters, and key international expert groups. To influence professional accountants (and their employers),

governments, and regulators at a national level, IFAC works through the member bodies, recognized regional organizations, and acknowledged accountancy groupings. IFAC relies heavily on the member bodies to communicate the availability of IFAC output and to adapt it to suit local needs. IFAC proactively supports its member bodies in these communications.

5.2 Exploring Web-Based Approaches

Deploying technology is a critical part of facilitating the effective and efficient implementation of the strategy and work plan and, in particular, supporting the communication and sharing of good practices and ideas across the profession. This includes (a) using collaborative development and sharing tools (such as WebEx), (b) improving the IFAC website for accessing information relevant to professional accountants in business, and (c) using electronic newsletters to frequently alert the member bodies and their members to international, strategic, and emerging issues, and other useful information.

More broadly, as covered in Appendix 2 and in the communications plan, the section of the IFAC website related to professional accountants in business (the International Professional Accountants in Business Center) could be developed into a web-based resource center that pulls together member body and other resources by key topic area (topics identified under 3.1 above).

5.3 Translations

IFAC strives to make its publications widely available by enabling individuals to freely download them from its [website](#), and permitting interested parties to reproduce and translate them. IFAC has developed two policy statements to facilitate the reproduction and translation of its publications – these are available at <http://www.ifac.org/Translations/>.

Section 6 Outreach and Stakeholder Engagement

This Plan is issued for public comment. Ongoing feedback on the Plan and its implementation will be sought through wider IFAC channels, such as the annual Chief Executives' Strategic Forum.

Designated IFAC representatives will present the Plan at significant international events across all major regions to (a) promote IFAC's services relevant to professional accountants, and (b) enhance liaison with stakeholders. In addition, IFAC maintains ongoing dialogue with various international organizations.

Engaging stakeholders via a stakeholder liaison group

A demand-driven strategy requires consultation with a wide range of stakeholders, including professional accountants and their employers. The IFAC Board plans to develop a governance and operational structure for developing IFAC's services that (a) are relevant to professional accountants in business, and (b) will provide for consultation on future strategy and activities with a representative group of stakeholders.

Considering whether to engage those countries where professional accountants in business are not considered members of the profession

As detailed in the work plan at Appendix 2, IFAC will consider whether to research the structure of the profession in countries where non-IFAC members perform professional accountants in business roles, such as in Europe (e.g., Germany, Japan, France, and Scandinavia) and in some developing or emerging nations.

The PAIB Committee's collaboration with other IFAC activity areas

The PAIB Committee liaises with the various IFAC boards and committees when liaison is relevant to achieving the strategic objectives, for example liaisons with the:

- International Auditing and Assurance Standards Board: eXtensible Business Reporting Language (XBRL) and its impact on preparers and auditors.
- Developing Nations Committee: development of the profession and supporting member bodies in support of their professional accountant in business members.
- International Accounting Education Standards Board: development of standards and guidance relating to the competences of professional accountants in business.
- International Ethics Standards Board for Accountants: Where appropriate, track and provide input to proposed revisions to the *Code of Ethics for Professional Accountants*, develop additional guidance to support implementation of the Code, and promote professional ethics.

Collaboration with others

IFAC collaborates with external thought-leadership groups and organizations where there is a mutual benefit to pooling expertise and resources. Organizations with which the staff actively engages include:

- The Prince of Wales' Accounting for Sustainability (A4S) Project
- The Committee of Sponsoring Organizations (COSO)
- The Climate Disclosure Standards Board (CDSB)
- The Consortium of Advanced Management – International (CAM-I).

Strategic Drivers

A number of environmental factors have been identified as driving the vision and strategic objectives for serving professional accountants in business. These include:

- Global interconnectedness of economies, markets, and societies, and the global footprint of many organizations (large and small);
- The need for increased/enhanced representation of and service to the majority of the accountancy profession, i.e., professional accountants in business, at both an international and national level;
- The need to raise awareness of professional accountants' positive contribution to successful organizations;
- Based on feedback from the member bodies, the need to focus on strategic and emerging issues of importance to professional accountants in business;
- The need to raise awareness of the nature of professionalism of accountants (ethics and values, competence, education, discipline, etc.). For professional accountants in business, this should include the public interest perspective on the way financial matters are conducted within organizations, as well as at the investor and political interface, showing that the activities of professional accountants in all types and sizes of business contribute to the public interest.
- The economic and social need for long-term sustainable value creation and preservation, alongside improved governance. Professional accountants in business are at the heart of driving a change agenda to support long-term sustainable value creation. This is reinforced by the recent global financial and economic crisis and the subsequent road to restoration;²
- The importance of leveraging influence and advocacy internationally, derived from IFAC's ability to facilitate international collaboration of professional accountancy bodies.
- Alignment to the needs of employers in relation to the roles, activities, and competences of their professional accountants.

² See for example the issues as addressed in [IFAC's G20 submissions](#).

Work Plan

The work plan is organized under each of the four strategies identified in Section 3.

1. **Delivering activities to enhance the profile of professional accountants within the business world**

To support:

- promoting a better understanding of what professional accountants do in and for organizations, their competences, and their contribution to long-term sustainable organizations; and
- evaluating and deploying effective communication approaches to influence the perceptions of key stakeholders.

ACTION

- (a) **A consultation paper on what professional accountants will have to do to create long-term sustainable value for their organizations in a changing business environment: *Competent and Adaptive—the Future Role of Professional Accountants in Creating Sustainable Organizations in a Changing Business Environment***

The PAIB Committee published International Management Accounting Practice Statement (IMAP) number one in 1989 (later revising it in 1998), which considered the evolution and change in management accounting, and formed a conceptual framework for management accounting practice. This was superseded in 2005 by the information paper, [*The Roles and Domain of Professional Accountants in Business*](#). IMAP number one was also supported by the Committee's expansive 2002 study, *Competency Profiles for Management Accounting Practice and Practitioners*, now withdrawn from the IFAC website.

The new consultation paper, a precursor to an updated paper on the roles and domain of professional accountants in business, investigates the expectations on how professional accountants should support the development of sustainable organizations in light of megatrends and emerging challenges affecting the economic environment and the drivers of successful and sustainable organizations. These drivers form the context of considering how professional accountants should support their organizations and the professional capabilities they will need.

- (b) **Defining the term “professional accountant”**

The PAIB Committee is participating in a cross-IFAC initiative to clarify the definition of the term “professional accountant.” Better defining the term professional accountant at a macro level could support the creation of a more distinctive identity for professional accountants in business. All professional accountants and member bodies could draw on a universal definition, while preserving the existing brand identity of the individual member bodies.

- (c) **Specific investigations into the role and unique value of professional accountants in areas of strategic importance to organizations, such as governance and ethics, strategy, sustainability, risk management and control, and financial management**

Investigations might take the form of reports or forum discussions with stakeholders and consider the roles of the professional accountant in supporting the public interest by (a) contributing to long-term sustainable value creation within organizations (b) assisting in building capacity for national and international trade, (c) helping to create the financial infrastructure of public financial management (in the public sector) and the operation of the general economy (in the private sector), and (d) supporting the country's participation in the global economy by applying international standards of reporting, governance, and assurance, as well as creating the right circumstances for securing and effectively deploying external aid assistance.

(d) **Continuing to engage groups or organizations facilitating IFAC's involvement in thought leadership and enhancing the competence of professional accountants, for example with the Prince of Wales' Accounting for Sustainability (A4S) Project and with The Committee of Sponsoring Organizations (COSO)**

2. **Giving professional accountants the means to improve their organization's performance**

To support:

- developing commonly applicable international good practice and other outputs by sharing, consolidating, and synthesizing materials in areas of international and strategic importance, and encouraging member bodies to make them widely available; and
- supporting member bodies in enhancing the competence of their members who are professional accountants in business and the relevance of their professional education.

IFAC's recent activity has focused on investigating current issues, implications, and learning points for its member bodies and professional accountants in business. The list of recent publications is found at www.ifac.org.

ACTION

(a) **Specific thought leadership activities in the area of governance and ethics**

IFAC will focus on communicating the guidance in its IGPGs on *Evaluating and Improving Governance in Organizations* and *Defining and Developing an Effective Code of Conduct for Organizations*. This action will focus on how emerging issues impact their implementation, as well as the role of professional accountants as change agents. This will benefit from IFAC's current business reporting of interviews of experts from all links in the financial reporting supply chain on (a) what preparers, company management and directors, auditors, regulators, investors, and others should do to effectively improve corporate governance, as well as (b) the financial reporting process, the audit of financial reports, and the usefulness of financial reports (see business reporting covered below).

Within the proposed work plan, IFAC recognizes that governance, strategy, and sustainability are areas that organizations should view as inseparable.³ An emerging theme for IFAC is

³ For example: the *King III Code of Corporate Governance for South Africa*, launched in September 2009, arguably the "state of the art" for governance codes, has as its key theme the integration of governance, strategy, and sustainability.

therefore, supporting professional accountants and their organizations to integrate governance, strategy and sustainability at strategic, operational, and reporting levels.

Linking governance, sustainability, and strategy to the role of professional accountants

IFAC continues to articulate the particular importance of effective governance (in spirit as well as in name) for developing nations, and the need to ensure that governance is perceived as both a compliance and performance issue. This theme will form the basis of an IFAC article for inclusion in a 2010 report being organized by the United Nations Conference on Trade and Development on corporate governance and disclosure in the wake of the financial crisis. This article has also allowed IFAC to bring together the guidance in the IGPG on evaluating and improving governance with the OECD governance principles, highlighting how the IFAC guidance supports the implementation of the OECD principles.

Responding to emerging issues

IFAC will consider whether to develop short risk or issues alerts to communicate emerging issues and issues of importance to professional accountants in business, and to promote their role in influencing effective governance.

Evaluating the learning points arising from IFAC's earlier publications

The earlier IFAC work on enterprise governance, which provided a basis for developing the IGPG on evaluating and improving governance, was based on substantial and widespread research (27 short international case studies) to explore what went right or wrong in companies following the corporate failures of 2001-2002 (for example, Enron and WorldCom). After the financial crisis abates, IFAC will consider whether a rerun of the case studies could (a) support identification of gaps and further learning points, and (b) test the guidance in the IGPG on evaluating and improving governance for continued validity. A strong argument for pursuing this approach is that it provides evidence-based recommendations and guidance, and that IFAC is a unique position to provide international coordination and perspective.

Further exploring the roles of professional accountants in business in delivering good organizational governance and strategic management

Professional accountants and the finance function are key players in promoting strong governance, ethical practice, and sustainable value creation. Professional accountants in positions such as CFOs and finance directors are increasingly placed in organizations as partners or copilots in developing long-term growth strategies. This requires finance professionals at a strategic level to use leadership skills to collaborate, influence, convince, and lead change, so that they support achieving sustainable economic, social, and environmental performance.

To provide global leadership and advocacy, IFAC will consider whether interviews of professional accountants or other techniques could be used to better understand and promote professional accountants' roles in contributing to better governance, ethics, and strategy, and to provide practical learning points.

(b) Specific activities in the area of risk and internal control

A planned IGPG on *Evaluating and Improving Internal Control in Organizations* will deliver additional value to the already existing guidance in this area, by focusing on (a) common pitfalls in the way current internal control systems are deployed, and (b) what should be done (especially

from an organizational perspective) to avoid them. Despite the use of widely accepted guidance frameworks such as those published by COSO, corporate failure and poor performance suggest that internal control is neither always sufficiently integrated into management processes nor focused on material risks. The IGPG would provide an opportunity to clarify further the role of professional accountants in business, and to focus them on what still goes wrong in many organizations.

Discussions with COSO may lead to collaborative opportunities, including its involvement in the development of the IGPG on internal control. IFAC also plans discussions with other organizations that issue standards, frameworks, good practice guidance or provide leadership in this area. A first step in the collaborative process is an IFAC survey to help us understand the level of acceptance and use of the COSO frameworks and/or guidance outside of the U.S., possibly leading to IFAC's participation in developing a global framework for internal control and enterprise risk management.

(c) Specific activities in the area of sustainability and corporate responsibility

IFAC-led

The IFAC Sustainability Framework, launched as a web-based tool in 2009, highlights the issues that organizations must address to make sustainability an integral element of their business models. For example, it offers guidance on how to inject sustainability leadership into the management cycle, from making and executing strategic decisions to reporting on performance to stakeholders. The framework is designed from four different perspectives – business strategy, internal management, investors, and other stakeholders – to reflect the various roles performed by professional accountants (see below). In 2009, the viewing figures were 61,109 aggregate page view count and 19,364 visits (13,947 new, 5,417 returning)

The Framework will be reviewed to update the content, and to improve (a) the integration of the web-based tool in the IFAC website, (b) the design of the web pages, (c) the navigational experience, and (c) its readability. A separate e-reader document will be used to publish a full version of the Framework.

Collaboration with A4S Project

The recently approved Memorandum of Understanding between IFAC and A4S covers three major initiatives that support the work of professional accountants in embedding sustainable practices in organizations:

- Developing a community website for IFAC and A4S members – including professional accountancy organizations, business leaders, academics, and other experts – to share good sustainability practice and ideas (also see below);
- Facilitating discussions with experts and relevant organizations to establish an international committee to develop a new integrated reporting model; and
- Participating in an A4S Accounting Bodies Network research project in the area of integrating sustainability issues in investment appraisal.

Collaboration with the Climate Disclosure Standards Board (CDSB)

IFAC is represented on the CDSB Technical Working Group. The CDSB Reporting Framework, available at <http://www.cdsb-global.org/>, establishes what companies should report about climate change, focusing on how reporting can be made more decision-useful for investors. By adopting relevant principles and objectives of financial reporting, the draft Reporting Framework complements the mainstream reporting model with which business is already familiar.

(d) Specific activities in the area of financial and performance management

The work plan in this area is focused on synthesizing guidance that reflects good practice in financial and performance management. Recent IGPGs on project appraisal using discounted cash flow, and on evaluating and improving costing in organizations, have been focused on supporting improved decision making in organizations and raising awareness of the role of professional accountants in business.

IGPG development in 2010 and 2011 will be focused on specific strategic areas of interest to organizations and their professional accountants. IGPG development on predictive performance analytics will focus on providing thought leadership to the profession, importantly highlighting the role of professional accountants in being forward-looking and improving decision-making capability in organizations. Measuring business performance predicatively is a core capability of high-performing organizations; poor performance measurement was a factor in the struggle of many companies during the financial and economic crisis.

A proposal for a project to develop an IGPG on estimating and using the cost of capital for project (investment) appraisal was approved in 2008. The project will proceed if it is deemed to have continued international relevance, and relevant expertise could be sourced to support its development. The cost of capital is increasingly important in applying some financial reporting standards and in making investment and valuation decisions, and new issues have been raised by the financial crisis and the subsequent recovery.

Public sector focus

Public sector issues are considered as part of the development of all activities and outputs. However, separate projects to address specific public sector issues are considered where a need is identified. Public sector performance has important differences of emphasis because of the range of stakeholders, and has differing objectives and desired outcomes. Future projects may include a focus on (a) public sector governance and performance issues, and (b) synthesizing thought leadership and good practice on public sector governance and performance measurement.

(e) Specific activities in the area of business reporting

The IFAC Business Reporting project focuses on evaluating the state of the financial reporting supply chain around the globe and providing recommendations for further improvement. Following the global research study, [*Developments in the Financial Reporting Supply Chain – Results from a Global Study among IFAC Member Bodies*](#), the 2009 interviews with more than 25 investors, preparers, auditors, standard setters, and regulators from around the globe are providing practical solutions for making business reporting more useful. In 2010, the results of the interviews will be converted into articles. In addition, they will be discussed at a roundtable of key stakeholders from the financial reporting supply chain.

The findings of the Business Reporting Project will form the basis of a proposal to develop an IGPG on evaluating and improving business reporting to assist professional accountants and their organizations in preparing relevant, high-quality business reports. The IGPG could also provide further practical guidance to help professional accountants and their organizations implement the International Accounting Standards Board guidance, [Management Commentary](#), which is currently issued as an exposure draft.

With the support of the Institute of Certified Public Accountants of Singapore, IFAC is considering developing an overview paper on XBRL covering recent developments and challenges to progress, as well as highlighting key considerations for professional accountants. The paper will focus on the involvement of professional accountants in XBRL (e.g., how professional accountants can support their organizations in improving their management accounting and business reporting with the use of XBRL).

3. Supporting IFAC member bodies in their work with and for professional accountants in business

To support:

- facilitating the communication of sharing of good practices and ideas across the profession;
- Recognizing diversity of member bodies and supplying them with suggested approaches and methods to retain and engage with their professional accountants in business members;
- considering whether, and if so how, to engage those countries where professional accountants in business are not considered members of the profession.

ACTION

(a) Deploying technologies to facilitate the communication of sharing of good practices and ideas

The IFAC website

IFAC is considering turning the professional accountants in business section of its website into a web-based resource center that pulls together member body and other resources, by topic area, to complement IFAC activities and outputs relevant to professional accountants in business. The topic areas will be based on those highlighted in 3.1 above. Under each topic, it would be useful to promote IFAC activities, key member body activities, other international activities, and perhaps to include a discussion board or another community feature to facilitate feedback.

Web-based working

A key element of the collaboration and partnership with the A4S Project is the development and use of a community website to support collaborative content development and facilitate the communication and sharing of knowledge and resources in the area of sustainability. Member bodies, professional accountants, and specific groups will be able to share ideas in the area of sustainability. The website will broadly aim to facilitate (a) collaboration of professional accountancy bodies on projects and activities of mutual interest, and (b) the exchange of views and thoughts on sustainability issues and case studies by the broader community of stakeholders (including professional accountants and others) and their collaboration on content development.

(b) Sharing learning among IFAC members on the structure and nature of the profession

Considering whether, and if so how, to engage those countries where professional accountants in business are not considered members of the profession

Some members of the PAIB Committee have suggested that it is important to better understand the makeup of the “accountant in business” constituency in those countries where accountants in business are not considered members of the profession. There could be further merit in researching the structure of the profession, and the priorities of representative bodies of controllers in countries where non-IFAC members perform “professional accountant in business” roles.

The potential benefit for IFAC and its member bodies is to better understand the career progression in typical finance roles in such countries, in order to better assess the profession’s scope of influence and membership potential. As a minimum, there might be benefit in identifying and building relationships with non-IFAC organizations that seek to represent and support accountants in business, such as controllers’ institutes and management accounting associations. To start this process, a number of bodies representing controllers could be contacted and invited to discuss with IFAC their respective priorities, objectives, and areas of mutual interest. Before inviting non-member bodies, IFAC would first notify the existing IFAC member body(ies) in a particular jurisdiction, and also clarify whether they have joint venture arrangements.

Identifying good practice examples of IFAC member body approaches to supporting their professional accountants in business, including options for innovative structures and approaches to recognize and assist professional accountants in business

Some member bodies that do not solely focus on management accounting have developed structures and approaches to support their professional accountants in business members. For example, some use faculty-type forums to (a) provide specific services to such members, (b) provide specific qualifications and post-qualification support to help them upgrade their knowledge and skills, and (c) facilitate networking between members. There is potentially much learning to be shared across national boundaries on the structures and approaches for supporting professional accountants in business, especially those that support the development of the profession in developing nations.

The Developing Nations Committee’s Good Practice Guide, *Establishing and Developing a Professional Accountancy Body* (Toolkit) might be one way to promote these issues.

4. Providing an influential international voice for professional accountants in business

To support:

- speaking out in areas of public and professional concern to key international, regional, and national organizations where IFAC and the professional accountants’ expertise is most relevant, including (a) the role and competences of professional accountants in business, (b) their role in delivering best practices in sustainability and governance, (c) risk management and internal control, (d) financial management, and (e) the evaluation and improvement of business reporting.

ACTION

(a) Proactively working towards recognition of professional accountants by taking global leadership positions in strategic areas corresponding with projects on the work plan

Developing, disseminating, and publicizing, in collaboration with member bodies, IFAC policy positions on matters where the professional accountant's expertise is most relevant. For example, some of the issues highlighted in the IGPG on evaluating and improving governance were highlighted in the 2009 IFAC response to the G20, and by member bodies in their responses to developments in national governance codes. A role as a global voice could also include commenting on proposed standards and regulations where they affect professional accountants and the organizations they work for.

In 2010 and 2011, the main focus will be on learning from recent events arising from the global financial crisis, influencing the improvement of corporate governance, and positioning professional accountants in supporting more sustainable organizations, and its integration with governance and strategy. IFAC's forum in 2010 will focus on linking governance, strategy, and sustainability, and considering the implications for the global accountancy profession. The forum could provide the basis for several policy position papers on corporate governance and the accountancy profession. This will link to the other proposed activities on governance described above, and support and reinforce efforts to support professional accountants in improving their organization's performance.

(b) Investigating appropriate arrangements to allow timely responses to current and emerging issues, and allowing IFAC to more quickly engage its member bodies to harness their policy positions and activities

As part of an IFAC Board review of the PAIB Committee's operational effectiveness, governance, and operational structures, IFAC will consider its capability to rapidly respond to emerging and topical issues as part of a wider evaluation of how the PAIB Committee operates and relates to other parts of IFAC that also deal with policy and global voice activities.

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