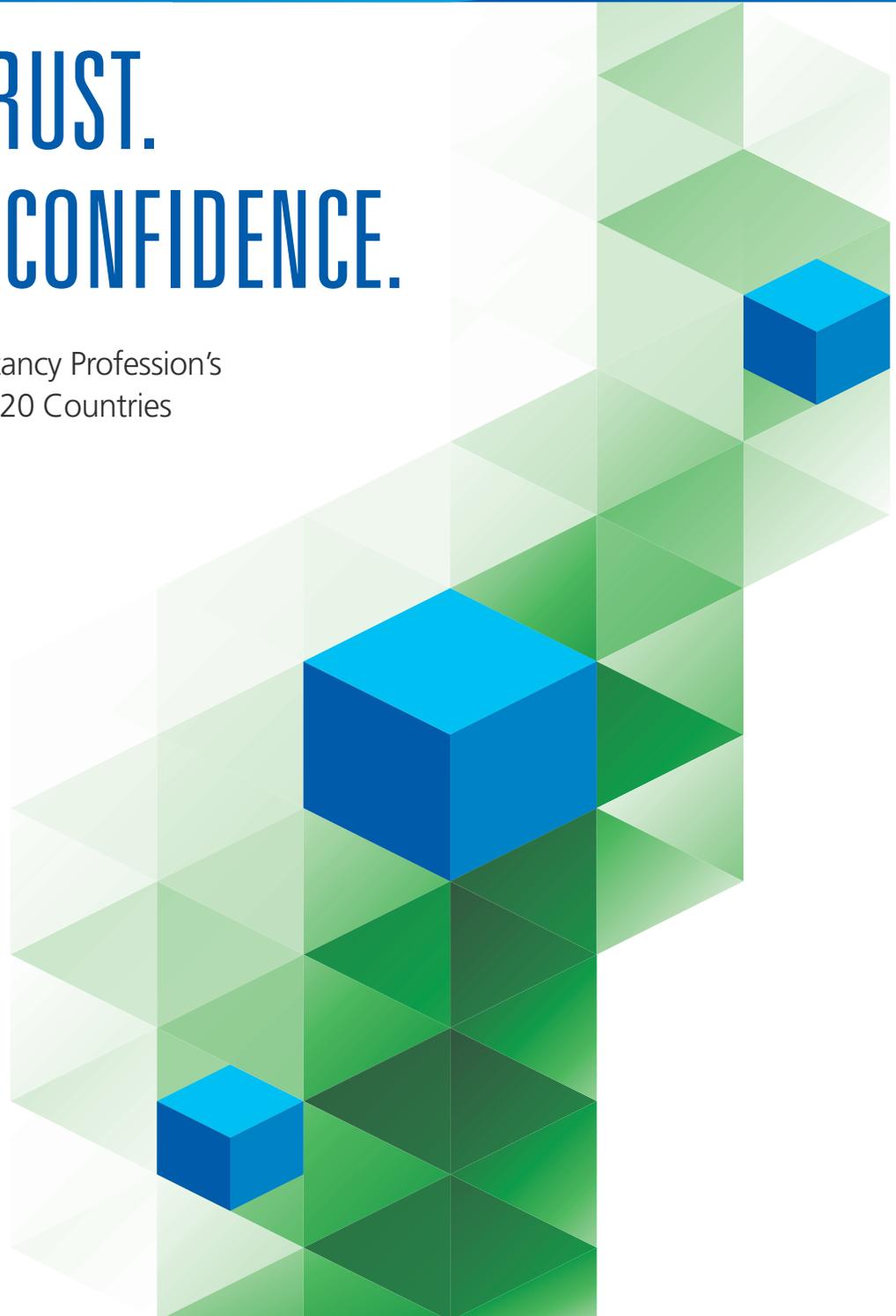


BUILD TRUST. INSPIRE CONFIDENCE.

The Global Accountancy Profession's
Call for Action by G20 Countries

Germany, 2017



“Public trust is essential for strong capital markets and economies. Inspiring confidence requires transparent, accountable institutions that deliver long-term, innovative solutions.”

—Rachel Grimes, IFAC President

“In uncertain times it is essential for business and government to inspire public confidence and build thriving economies. One thing is clear—we can only meet these challenges by working together.”

—Fayezul Choudhury, IFAC Chief Executive Officer

IFAC serves the public interest and strengthens the accountancy profession by:

- Supporting the development of high-quality international standards;
- Promoting the adoption and implementation of these standards;
- Building the capacity of professional accountancy organizations; and
- Speaking out on public interest issues.

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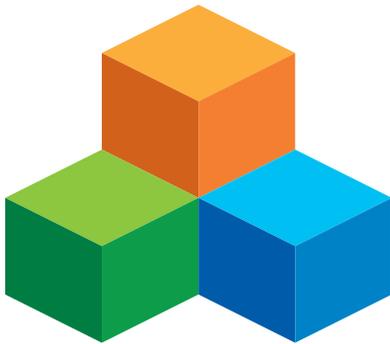
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Foreword

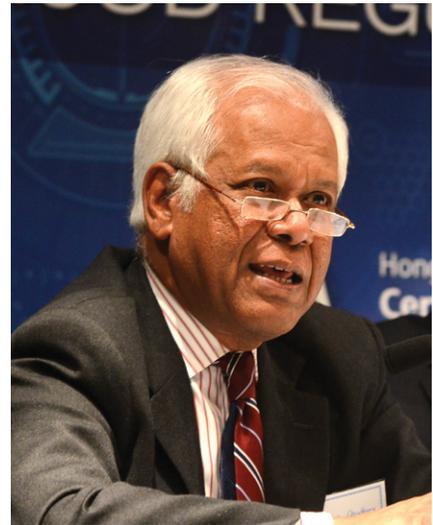
STRONGER GOVERNANCE FOR TRUST AND CONFIDENCE IN BUSINESS AND GOVERNMENT

1. Collaborate to Tackle Corruption
2. Create a Secure and Digital-Ready Investment Environment
3. Embrace Integrated Reporting
4. Strengthen Governance
5. Enhance Public Sector Financial Management



AN EFFECTIVE, COHERENT GLOBAL ECONOMIC ENVIRONMENT FOR GROWTH, CONFIDENCE, AND STABILITY

1. Create an Environment for Small- and Medium-sized Entity Growth and Inclusiveness
2. Collaborate for a Coherent International Tax System
3. Make Regulation Smarter, and More Effective
4. Create a Consistent, Transparent Global Regulatory Environment
5. Implement Internationally-Accepted Standards



Leaders need to choose between two separate paths. In one direction lies renewed vigor for working together tackling growing challenges and embracing the opportunities of a digitalized, globalized 21st century. In the other lies a return to nationalism and protectionist policies that threaten to derail progress made over decades. The optimal route is obvious: collaboration is the only way to make sure the benefits of digitalized, globalized economies are enjoyed by all citizens, across the globe and throughout all parts of society.

Leaders in government, business, and professions cannot look backward and must inspire confidence in the public and regain trust. Globally, we are still in a time of economic recovery post 2008. While the worst impacts on global markets are hopefully behind us, we need to foster economies that can anticipate, respond to, and as far as possible avoid, the crises of the future. The accountancy profession is committed to this goal and the trust and confidence of citizens will be central in its achievement throughout G20 countries and beyond.

Organizations and individuals must be empowered by strong governance in business and the public sector. Governments must promote coherent public policy and a consistent, transparent regulatory environment that inspires confidence while enabling progress. Professional accountants continue to play a crucial role enabling capital flows, economic activity, and higher standards of living.

The global accountancy profession calls to action G20 countries with specific, actionable recommendations and urges policy consensus backed up by tangible implementation and ongoing cooperation among G20 countries and across the globe.

A handwritten signature in black ink, appearing to read 'Rachel Grimes'.

Rachel Grimes
IFAC President

A handwritten signature in black ink, appearing to read 'Fayeul Choudhury'.

Fayeul Choudhury
IFAC Chief Executive Officer

Stronger Governance for Trust and Confidence in Business and Government

Strong governance is the key to accomplishing the G20 objectives of building resilience, improving sustainability, and assuming responsibility, and is essential for regaining the public's trust and inspiring confidence.



1

COLLABORATE TO TACKLE CORRUPTION AND ADVANCE RESPONSIBLE CONDUCT



- Create a formal mechanism for interchange between international regulatory and policy bodies, and the private sector, focused on financial crime/anti-money laundering and anti-bribery, together with data protection/privacy and responsible business conduct.
- Address bribery and corruption's demand side by improving government and public sector financial management, including implementing accruals-based financial reporting.
- Confirm G20 countries' commitment to developing and implementing best practices and guidelines for whistleblower protection.

The need to balance efforts to fight fraud and corruption against protecting individual's right to privacy requires G20 countries to work together to create globally-accepted criteria for sharing information, within and between jurisdictions.

A recent IFAC study highlights that while a stronger accountancy profession is positively correlated with better outcomes in tackling corruption, the role of government and the wider-governance architecture underpin effectiveness. This demands collaborating across the public and private sectors, and implementing sound whistleblower protections and incentives.

The Accountancy Profession: Playing a Positive Role in Tackling Corruption

"Combatting corruption is fundamental for sustaining economic stability and growth, maintaining the security of societies, protecting human rights, reducing poverty, protecting the environment for future generations, and addressing organized crime."

—*Promoting Integrity by Creating Opportunities for Responsible Businesses*, B-20 Responsible Business Conduct & Anti-Corruption Cross Thematic Group Policy Paper

2

CREATE A SECURE AND DIGITAL-READY INVESTMENT ENVIRONMENT ACROSS G20 COUNTRIES



- Promote focused investment in secure technology infrastructure to enable businesses, governments, and citizens to transact and participate in a secure and trusted digital environment.
- Establish new education models that address digital workplace codependency on human skills in data security and analysis, and cognitive computing.

Building trust in the digital environment demands assurance and security that citizens can understand and have confidence in. The global accountancy profession stands ready as a partner with government and business to enable this future.



"G20 investment in a trusted and equitable digital infrastructure will drive global growth, innovation, and entrepreneurship."

—Monica Foerster, IFAC Small and Medium Practices Committee Chair, and Confidor Partner, Brazil

3

EMBRACE INTEGRATED REPORTING IN ALL G20 COUNTRIES



- Call for global adoption of the International Integrated Reporting Framework to bring about a more coherent corporate reporting system, relevant to today's business environment, that aligns outcomes with the G20 priorities of building resilience, improving sustainability, and assuming responsibility.

Integrated reporting is an opportunity to focus on long-term value creation, and improve on a largely fragmented, complex, and compliance-driven system. Integrated reporting is founded on integrated organizational thinking and more likely to align capital allocation and corporate behavior to the wider goals of financial stability and sustainable development. Now is the time to embrace the International Integrated Reporting Council's Framework to achieve these vital objectives.



4

STRENGTHEN GOVERNANCE IN THE PUBLIC AND PRIVATE SECTORS



- Adopt a consistent and comprehensive approach to defining and requiring high-quality governance in public and private sector organizations throughout all G20 countries, including adopting the G20/ Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance.
- Develop robust mechanisms for monitoring governance practices and implementation, including appropriate incentives for voluntary behavior.

The failures that shatter public trust—financial, economic, political, and beyond—are almost always first and foremost failures of governance. People should have confidence that their governments and business are governed according to strong, globally-accepted principles.

5

ENHANCE PUBLIC SECTOR FINANCIAL MANAGEMENT



- Adopt accrual-based financial reporting with International Public Sector Accounting Standards (IPSAS) for all public sector entities.
- Request the Financial Stability Board (FSB) include the public sector in its mandate; establish a working group to examine public sector financial reporting consistency, transparency, and accountability; and recognize IPSAS as key for sound financial systems and deserving of priority implementation.

Strong public financial management results in better decision making and more sustainable services, and helps citizens hold their governments to account. Poor government transparency and accountability remain a significant problem in many countries, which must be addressed to restore the public's trust.

INTEGRATED THINKING IMPROVES DECISION MAKING

74%

of executives and

93%

of non-executive directors thought integrated thinking had improved decision making at management level.

72%

of executives and

86%

of non-executive directors thought integrated thinking had improved decision making at board level.

Source: South African Institute of Chartered Accountants, *Integrated Thinking: An Exploratory Survey*

Why accrual-based public sector accounting?

Accounting is the language in which governments communicate their financial performance and position. Converting from a cash-based to an accrual-based form of accounting—required of almost all publicly listed companies in the world but not yet widely used in the public sector—will result in a more accurate overall picture of national income, costs, assets, and obligations. This would increase governments' transparency and accountability, strengthen their public financial management, and improve their decision making.

Three-quarters of OECD countries have adopted accrual accounting for government year-end reports (see *Accrual Practices and Reform Experiences in OECD Countries*).

An Effective, Coherent, Transparent Global Economic Environment for Growth, Confidence, and Stability

Regaining public trust and inspiring people's confidence requires regulatory approaches that fulfil their promises, and provide a sound footing for growth and opportunities across the economy—from small business owners to workers at all income levels, large businesses, and international investment.



1

CREATE AN ENVIRONMENT FOR SMALL- AND MEDIUM-SIZED ENTITY (SME) GROWTH AND INCLUSIVENESS



- Enhance SME access to the digital economy by investing in digital infrastructure outside industrial centers and proactively expanding the knowledge base on SME needs.
- Renew the G20 countries' commitment to implementing the G20/OECD High Level Principles on SME Financing and the G20 High Level Principles on Digital Financial Inclusion.

SMEs are the engines of economic growth and innovation globally—an improved business environment for SMEs, as well as appropriate support to achieve greater productivity, is essential. The SME perspective needs to be heard and considered at all levels of policy making. We implore the G20 to increase the priority given to SME growth and inclusiveness.



2

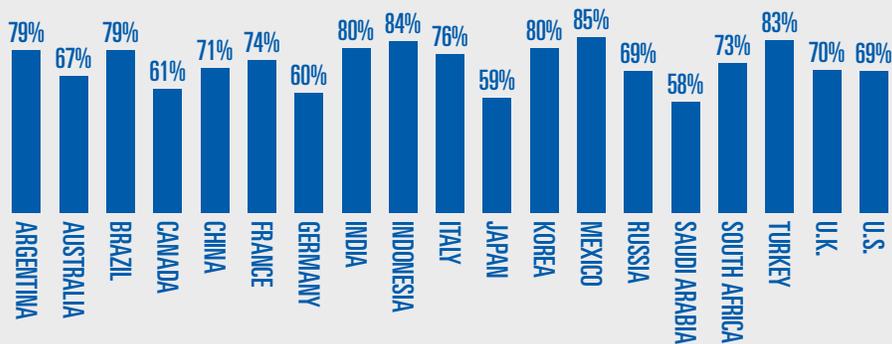
COLLABORATE FOR A COHERENT INTERNATIONAL TAX SYSTEM



- Urgently renew efforts for coordinated implementation of the OECD Base Erosion and Profit Shifting (BEPS) Actions.
- Implement a properly resourced international taxation dispute resolution mechanism.

Efforts to address BEPS have been swift and achieved groundbreaking consensus, which must now be translated into coordinated policy implementation. Public concern remains high in many regions, and trust must be restored for meaningful collaboration.

G20 CITIZENS WHO THINK IT IS IMPORTANT/VERY IMPORTANT FOR THEIR GOVERNMENT TO COLLABORATE ON TAX POLICY FOR A MORE COHERENT INTERNATIONAL SYSTEM



Source: G20 Public Trust in Tax

3 MAKE REGULATION SMARTER, AND MORE EFFECTIVE IN G20 COUNTRIES



- Develop and adopt consistent and comprehensive principles for high-quality regulation, and prompt regulatory and standard-setting bodies to adhere to them.

Principles for Smart Regulation

- Clear objectives in the public interest
- Proportionate and balanced approach
- Evidence-based assessment
- Appropriate resourcing for regulators
- Collaborative action
- Consistent and coherent
- Active oversight
- Transparent and open consultation
- Systematic review
- Deliberate enforcement

These principles were identified by senior executives and experts from regulatory agencies, financial markets, listed companies, investment funds, and professions convened by IFAC in 2015 and 2016. Additional information is available on the IFAC website, www.ifac.org.

4

CREATE A CONSISTENT, TRANSPARENT GLOBAL REGULATORY ENVIRONMENT



- Request the FSB set up a more formal mechanism for continuous and systematic cross-border dialogue between national regulators to improve consistency and transparency in the implementation and interpretation of international regulations and standards.

IFAC agrees with the B-20 Coalition's 2017 recommendation for a formal mechanism to address coherence, as detailed in *Investing in Resilient, Future-oriented Growth: Boosting Infrastructure Investment and Balancing Financial Regulation*, the B-20 Financing Growth & Infrastructure Taskforce policy paper.



5

IMPLEMENT INTERNATIONALLY-ACCEPTED STANDARDS TO ENHANCE CONFIDENCE, GROWTH, AND STABILITY IN THE GLOBAL ECONOMY AND FINANCIAL SYSTEM



- International Financial Reporting Standards
- International Standards on Auditing
- Auditor independence requirements set out in the *Code of Ethics for Professional Accountants*, issued by the International Ethics Standards Board for Accountants
- International Public Sector Accounting Standards

High-quality, internationally-accepted standards are crucial to enhance confidence, growth, and stability in the global economy and financial system. We urge G20 members to adopt and implement these standards in their countries and call for global adoption.

About IFAC

The International Federation of Accountants® (IFAC®) is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of more than 175 members and associates in more than 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry, and commerce.



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