The background features a stylized, monochromatic architectural structure with curved lines and a grid of beams, resembling a modern building's interior or a large canopy. The top and bottom portions of the image are in grayscale, while the middle section is a solid red band containing the title.

Closing the value gap: understanding the accountancy profession in the 21st century

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 154,000 members and 432,000 students throughout their careers, providing services through a network of 83 offices and centres. Our global infrastructure means that exams and support are delivered, and reputation and influence developed, at a local level, directly benefiting stakeholders wherever they are based, or plan to move to, in pursuit of new career opportunities. Our focus is on professional values, ethics, and governance, and we deliver value-added services through our global accountancy partnerships, working closely with multinational and small entities to promote global standards and support.

We use our expertise and experience to work with governments, donor agencies and professional bodies to develop the global accountancy profession and to advance the public interest.

Our reputation is grounded in over 100 years of providing world-class accounting and finance qualifications. We champion opportunity, diversity and integrity, and our long traditions are complemented by modern thinking, backed by a diverse, global membership. By promoting our global standards, and supporting our members wherever they work, we aim to meet the current and future needs of international business.

ACCA is a member of Professions for Good which represents more than a million chartered professionals worldwide. Professions for Good offers input to policy making, campaigns on specific professional and public issues, and collects information and research surrounding the professions.
www.professionsforgood.com

Public value and trust are often thought of as intangibles. But we know very tangibly when trust is eroded and when public value is not being delivered.

Independent research, commissioned by ACCA and conducted by Longitude Research, asked the accountancy profession and the public about trust and public value. The findings reveal an accountancy profession keen to re-examine its future and ready to ensure it works ethically and to prove its public value.

For ACCA, delivering public value means working in the public interest, promoting responsible and ethical business and supporting enhanced global economic performance.

FOR FURTHER INFORMATION

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Foreword from Helen Brand, chief executive, ACCA

The issues of ethics, trust and working for the public, rather than private, interest, could hardly be more topical in business. The shockwaves that continue to reverberate from the global financial crisis mean that those entrusted with handling the finances of large and small companies, government departments and the public are in the spotlight as never before.

Accountants are a focus of this scrutiny, along with other professions, with the role of audit receiving particular attention from regulators and policymakers. The long-term decline in public deference to, and confidence in, the professions has been accelerated by a series of financial collapses and scandals both in business and wider public life.

ACCA was one of the first accountancy organisations to address the causes of the financial crisis, and from 2008 onwards has published a number of policy papers that have started debates about risk, reward and failures in corporate governance. In recent years, we have also increased the ethics and governance content of our qualification to reaffirm our commitment to ensuring that our members work in the public interest.

The extent of the financial crisis has required a broader assessment of the role of the accountancy profession. So ACCA has opted to carry out research that asks pertinent questions. How much value does the profession deliver to wider society? How has trust in the profession, and public perception of the value it delivers, changed in recent years? How do accountants themselves see their roles?

This report draws on three specific research inputs.

- A brief online survey was conducted among nearly 1,500 members of the public, all employed and drawn from a range of key markets around the world: the US, UK, Poland, United Arab Emirates, South Africa, Singapore and Hong Kong. All respondents were employed, spanning a wide range of industries, with an even balance of age groups and genders.
- A longer online survey was conducted among 261 accountants, drawn from the same countries. The respondents held a diverse range of roles within their businesses, from financial controllers and CFOs working in business, through to assistant accountants and auditors at the practice end.
- In-depth interviews were held with eight opinion-formers and experts, including current or former regulators/institute executives, CFOs and CEOs, practising accountants and a reputation expert.

The findings make for interesting reading and pose challenges for the profession, as well as opportunities. Our conclusion on page 27 offers five ways this value gap can be closed, from engaging proactively with stakeholders and the public at large about what the accountancy profession does, to addressing legitimate concerns about ethical issues and conflicts of interest.



ACCA passionately believes in the value that qualified accountants bring in ensuring trust in companies' financial statements and operations, which in turn strengthens markets and wider economies. In practice, that message has not always been promoted sufficiently – now is the time to do so. The profession also needs to be big enough to respond positively to calls for changes in its role and approach, where these are justified.

We believe this is a timely report, which aims to assess where the positives, the negatives, the opportunities and the challenges are for accountants to give public value and to work in the public interest.

At the time of publication, the International Federation of Accountants (IFAC) had just issued its Position Paper 5, *A Definition of the Public Interest*. This paper defines the concept of working in the public interest, and we hope that this research, together with IFAC's thinking will help the profession and the public understand important issues of trust and the work of the profession to deliver public value.

Lastly, ACCA would like to thank the following individuals for their time and insights:

- Laurence Evans, President, Strategy One, London
- Robert Herz, former Chairman, Financial Accounting Standards Board (FASB), Connecticut
- Maciej Jania, Managing Director, DP Polska, Warsaw, and former CFO of Coffee Heaven
- Kholeka Mzondeki, Non-executive Director and Interim CFO, Arup, Johannesburg
- Gerard Rahman, CEO, BDO, Dubai
- Richard Sexton, Executive Board member for Reputation and Policy, PwC, London
- Jim Sylph, Executive Director, Professional Standards and External Relations, International Federation of Accountants (IFAC), Toronto
- Jennifer Tan, CFO, Hutchison Telecommunications, Hong Kong.



Helen Brand
ACCA chief executive

Executive summary

The accountancy profession worldwide collectively provides services of immense value and benefit to business and to the wider public. Whether from the provision of information that allows people to assess the effectiveness and efficiency of their businesses, government services and all kinds of other organisations, through to the assurance that such information provides, the services the profession offers are broad and vitally important. Accountants' advice can move financial markets, reforecast the future and change business strategies.

This advice is therefore valuable, both to corporates and individuals, in grappling with issues ranging from financial reporting and tax through to business planning. As wider societal concerns take hold, such as social responsibility, environmental sustainability and the fair treatment of all stakeholders, the role of accountants is also broadening further.

Nonetheless, the accountancy profession is to some extent limited by the degree to which others, including the wider public, understand and appreciate the value that it provides. Old-fashioned images of what it is to be an accountant, such as the classic bean-counter stereotype, can be at odds with the changing landscape and the rapidly evolving trend towards greater specialisation.

Such conflicting perceptions are even more critical during a time of significant economic turmoil. This has created new pressures to find ever-greater efficiencies and opportunities to grow. Nonetheless, the professional's image is at risk from a range of issues – corporate failure, seemingly excessive cost-cutting, culpability for the global financial crisis, perceived collusion with corporations and individuals who improperly deny governments much-needed tax revenues, and insensitivity to the consequences being suffered by society at large. Accountants may be able to see opportunities to add value, but they will not be able to do so if it is thought that their focus lies solely on the bottom line.

Richard Sexton, executive board member for reputation and policy at PwC, one of the 'Big Four' accountancy firms, contends: 'It's important for us to come out of the shadows into the daylight and use that as an opportunity to better explain what we do, how we do it and the value we generate. There will be some challenging conversations. But it's important that you're confident enough to talk about what you do, why you do it and why it's important.'

This report examines this perceived value gap – the difference between the value that the accountancy profession can offer and the value that the public believes the profession provides. It also discusses a few of the steps that can be taken to close that gap by the profession as a whole, and by individual accountants themselves. Some of the key findings of this research include the following.

HOW THE PROFESSION VIEWS ITSELF

The accountancy profession believes it provides high public value. Around three-quarters of the accountants surveyed view their profession as being one that can offer high or very high public value, with fewer than one-quarter taking a more neutral stance on this. The specific areas of value are wide-ranging. About half of those surveyed said that the profession has a very significant role to play with regard to the efficient functioning of business and markets; ethical business behaviour; the financial, social and environmental sustainability of business; and whistle-blowing on corporate misconduct or fraud. Furthermore, about one-third said that the profession has a role to play with regard to corporate social responsibility.

Public trust in accountants is high, but not as high as is believed within the profession itself. Almost three-quarters of the surveyed accountants believe that the general public considers accountants to be trustworthy. In an accompanying survey of the public conducted for this study, however, just over half (55%) of those polled agreed. In contrast to accountants themselves, the public's views of accountants are typically less favourable than those on other traditionally high-trust professions. Nevertheless, accountants are seen in a far better light than some other groups that are battling with a poor trust perception, such as politicians and lawyers.

The financial crisis has made the issue of trust a key consideration for those within the accountancy profession. Around 70% of accountants agreed that the profession is at least partly to blame for the global financial crisis. A similar number said they are responsible for excessive corporate cost-cutting. Some 80% of the surveyed accountants blamed their own profession for tax avoidance by companies and/or high-net-worth individuals. All told, about three-quarters said that accountants are at fault for public distrust in the motives and behaviour of business. This highlights the urgent need for the profession to bolster its standing in society.

Despite these current issues, accountants believe that the public's perception of them has improved in recent years. 45% of the accountants claimed that the public's perception of them had improved over the last five years, with just 17% thinking it had dipped. In fact, for most members of the public in the sample (60%), their historical level of trust in the profession – however low or high – had not changed. Just 25% said it had improved, while 13% said it had declined.

Integrity and ethical behaviour are considered to be key personal attributes for accountants. When the accountants polled for this report were asked to choose two key personal attributes, 'professional skill and competence' topped the list, chosen by 66% of them. 'Integrity and ethical behaviour' was ranked second, at 54%. 'Trustworthiness' (30%), 'confidentiality' (27%) and 'objectivity' (15%) followed. The public's expectations of accountants were, in fact, very similar, but with 'integrity and ethical behaviour' topping the list, slightly ahead of 'professional competence and skill'. A high proportion (85%) of the sample of accountants said that they maintain a high degree of professional and ethical standards in general. A similar proportion of accountants believed that they have a key role to play in helping companies act ethically.

These attributes are often sharply tested on the job. About one in four of the accountants said they are forced to balance their integrity and trustworthiness with the demands of their job. A small but still notable number of them (7%) said they are regularly put in a situation where they are under pressure to act in a manner inconsistent with their professional ethics/integrity. A further 20% are put in similarly difficult situations from time to time. Overall, a sizeable minority (28%) said that they find it difficult to act in both their employer's interest and in the public interest.

Accountancy bodies play a key role in ensuring public value, but more can be done. Professional accountancy bodies help ensure that those within the profession act responsibly, according to 78% of the accountants polled. Among these, nearly seven in ten (68%) said that accountants who are not professionally qualified pose a significant risk to the overall trustworthiness of the profession. Over one-quarter of the accountants said that such certification and backing helps them deal with ethical issues. Nearly one in three (30%) said that having an accountancy qualification is a major help when dealing with conflicts of interest, or pressure to do something

inappropriate. Nonetheless, many accountants argued that more could be done: 40% said that the accountancy bodies do not take enough action to promote ethics, for example.

Greater awareness of the role, and responsibilities, of accountants is needed. Around 85% of the accountants polled said that the profession should be doing more to raise awareness about the value that it contributes, and to improve its overall image. Such efforts need to be wide-ranging, encompassing the general public, universities, colleges and students, as well as small and mid-sized companies. As Richard Sexton at PwC put it: 'Auditors have done a pretty bad job over many years of explaining to people what they do'. The same point can equally be made about the profession as a whole. This needs to change.

HOW THE PUBLIC VIEWS ACCOUNTANTS

A total of 1,444 people around the world – all employed across a range of industries – were asked for their views of the accountancy profession, as a counterpoint to the survey of accounting professionals. Some of the key findings of this public survey are shown below.

In terms of perceptions of trustworthiness, the public ranks the accountancy profession below typical high-trust alternatives, such as doctors, nurses, architects, engineers and pilots. Nevertheless, accountants are seen as being more trustworthy than some other groups, such as bankers, politicians, journalists and lawyers. Overall, accountants should be encouraged that at least 55% of those polled were reasonably well disposed towards the profession, but there is clearly room for improvement.

There has been no change in how most of those surveyed have viewed the profession over the past five years. Encouragingly, about 25% said that their overall level of trust has increased, although this is partly offset by the 13% who said it has declined. Respondents in the Middle East and Africa (MEA) and Asia – those more removed from the financial crisis – were slightly more likely to say that their perception had improved.

There was strong, positive support for the statement that accountants make a valuable contribution to the running of business (76% agree or strongly agree), and that professional accountancy bodies help to ensure that accountants act

responsibly (73%). Similarly, many (63%) agreed that accountants have a key role to play in helping companies act ethically toward stakeholders.

Just over half said that accountants only work on behalf of their companies or themselves, rather than in the public interest. Indeed, almost half said that accountants bear at least some responsibility for the global financial crisis. Notwithstanding this, a similar proportion said that they would trust what an accountant tells them and follow their advice.

Among the most important attributes required for the role, 'integrity and ethical behaviour' was ranked slightly above professional competence and skill (54% to 53%). 'Trustworthiness' was supported by just under one-third, with 'confidentiality' supported by around 27%. Objectivity scored lowest with just 20% of the public saying that this was one of the two most important attributes for accountants to hold.

1. Why public trust matters

Why is it so crucial that the accountancy profession both provides public value and is seen to be doing so? It is not just a question of wanting to be appreciated. This mission is at the very core of what the profession does. Unless they are trusted to provide public value, accountants will lose their legitimacy; so too will the public companies and markets whose integrity depends on validation by the accountancy profession. 'Public trust matters', said Jim Sylph, executive director for Professional Standards and External Relations at the International Federation of Accountants (IFAC), a global body that counts 167 accountancy institutes (including ACCA) among its membership. 'There are millions of accountants in the world and the actions of a handful can tarnish the credibility and reputation of the others.'

Accordingly, value and trust go hand in hand: without trust in the profession, there can be no value. Yet that trust has been challenged by the continuing financial crisis, corporate failures, cost-cutting exercises, accusations of unethical or unprofessional practices (for example, work on tax arrangements regarded as unpalatable by the public) and a lack of understanding of the value the accountancy profession provides. All these factors endanger much-needed trust in the accountancy profession.

These are not straightforward issues. Accountants face difficult judgement calls every day and the way in which they balance the interests of clients with the wider public interest is at the heart of the constant battle to maintain trust. 'Most people in the profession are trying to do the right thing', said Robert Herz, former chairman of the Financial Accounting Standards Board (FASB). 'There's always a classic struggle between trying to do the right professional thing and the economic motives of who's paying you, but I think the bad apples lower the overall perception from what it is in reality.'

At the same time, the profession has not always expressed itself well. Explaining the role of accountants is partly a question of making it clear where that role stops. Otherwise, the risk is that a situation develops in which the strengths and limitations of the profession are misunderstood by the public, policymakers and even accountants' own clients. Richard Sexton of PwC gave one topical example: with regard to the audit, he said, 'many believe we are offering insurance rather than assurance – that we are providing some sort of guarantee rather than an opinion'.

In the boom period before the financial crisis, these shortcomings in communication were not always so obvious, though this is not to say they mattered less. In austere and uncertain times, however, any failure to demonstrate and articulate the public value of the accountancy profession is much more likely to be exposed.

At the heart of the profession's public value is its contribution to the efficient operation of businesses and markets. Confidence in the financial data produced by professionals in businesses and other organisations, and audited by professionals in private practice, forms the core of public trust and public value.

The profession is able to do more than simply produce a report card. Accountancy professionals assist with corporate strategy, provide advice and help businesses to reduce costs, improve their top line and mitigate risks. They can even help shape the regulatory landscape through public commentary and discussion – but only if their views are thought to be of value.

Moreover, the profession's role and remit extends beyond dealing just with financial data. The profession is moving ever further into the realms of non-financial data. Soon, Integrated Reporting, bringing financial, strategic and sustainability information together without disaggregating these components, will be more mainstream.

The starting point for this study is the accountancy profession's own views about the public value it delivers – and the extent to which the general public itself agrees. Understanding how these viewpoints differ is the key to identifying whether a perception gap has already developed between the public and the profession.

Is the overall contribution of the accountancy profession to public value a net profit or a net loss? Of those accountants polled, 97% said 'net profit'. If that is the case, the challenge now is to ensure both that this remains true and that it is generally believed to be true.

2. The perception today

ASSESSING THE RELATIVE VIEWS OF THE ACCOUNTANCY PROFESSION

In its own eyes, the accountancy profession provides good value to the public. Almost three-quarters of the accountants surveyed believe that they and their colleagues provide high, or even very high value, while only a small minority describe the profession's contribution as low value. 'As accountants we are no longer ticking the box, we are no longer even just providing the analysis', explained Jennifer Tan, CFO of Hutchison Telecommunications, a telecoms firm based in Hong Kong. 'We are much more engaged in business. We are much more engaged in the strategic planning in order to lead the company.'

Although the main findings are positive, views are not uniform across the profession. Accountants in the US are most upbeat, with 81% saying accountants provide high or very high public value. In part, that may be the result of a bounce-back following the legislative reaction to the Enron scandal. Europeans are least supportive, though 60% still said that accountants provide high or very high value. The current financial crisis, corporate cutbacks amid recessionary pressures, high-profile risk control failures at major banks and, in the UK, instances of legal but unpopular tax avoidance by high-net-worth individuals and major corporates may all have played a part in dragging the figure down.

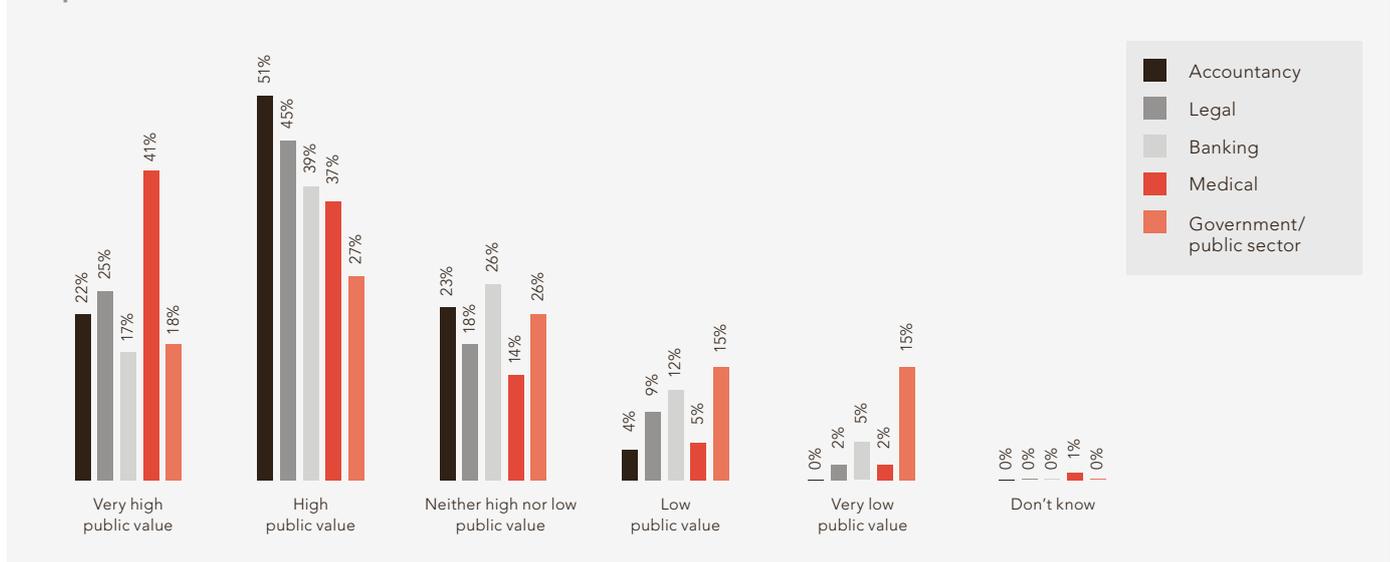
Views from different sectors of the profession also diverge. Fully 90% of the surveyed accountants in practice said that their profession gives the public high value – but only 67% of those in industry and commerce shared that view. Why should there be such a discrepancy between private practice and corporate accountants?

One explanation may be perceptions of the value of audit work – often the core business function for some accountancy firms – with accountants in practice having a higher regard for this service than have other accountants.

Also, while accountants in practice may regard themselves as, first and foremost, accountancy professionals, their peers in industry and commerce are, perhaps, more likely to consider themselves as business leaders in the sectors in which they work.

Accountants were also asked to compare the value they offer the public with the contribution made by a number of other professions (Fig. 2.1). The medical profession took top spot, followed by accountancy and the legal profession, almost equally scored in second place, but government and public sector workers were at the bottom: 30% of accountants said they offered 'low' or 'very low' public value.

Fig. 2.1: Accountants were asked: To what degree do you believe that the following professions provide either high, or low, public value?



The global survey of members of the public asked respondents a slightly different question, which did not focus on 'value'. Instead, they were asked to grade 13 different professions according to how trustworthy they believed them to be. More than half (55%) regarded accountants as trustworthy or very trustworthy, with more than one-third (35%) taking a neutral view. Only one in ten said accountants were untrustworthy. Even so, overall, accountants were ranked eighth, behind architects, professors, engineers, various medical professions, and pilots. They ranked ahead of lawyers, bankers, civil servants, journalists and, least trustworthy of all, politicians.

This means the accountancy profession finds itself in a potentially awkward mid-table position on the issue of trust. Though they rank ahead of professions that commonly attract public scepticism, accountants lag behind professions that are commonly regarded as intrinsically 'good'.

Moreover, the research suggests that some accountants may need to reconsider their own instincts and perceptions about public views of the profession: almost three-quarters said that the public would describe them as trustworthy (Fig. 2.2) – in fact, only 55% of the public did so. And while 45% of accountants said the public's general perception of accountants had improved over the last five years (Fig. 2.3), only 25% of the public said that their view of accountants had improved. Most respondents (60%) to the public survey said that their perceptions had not changed.

Fig 2.2: Accountants were asked: Do you believe the general public considers accountants to be trustworthy?

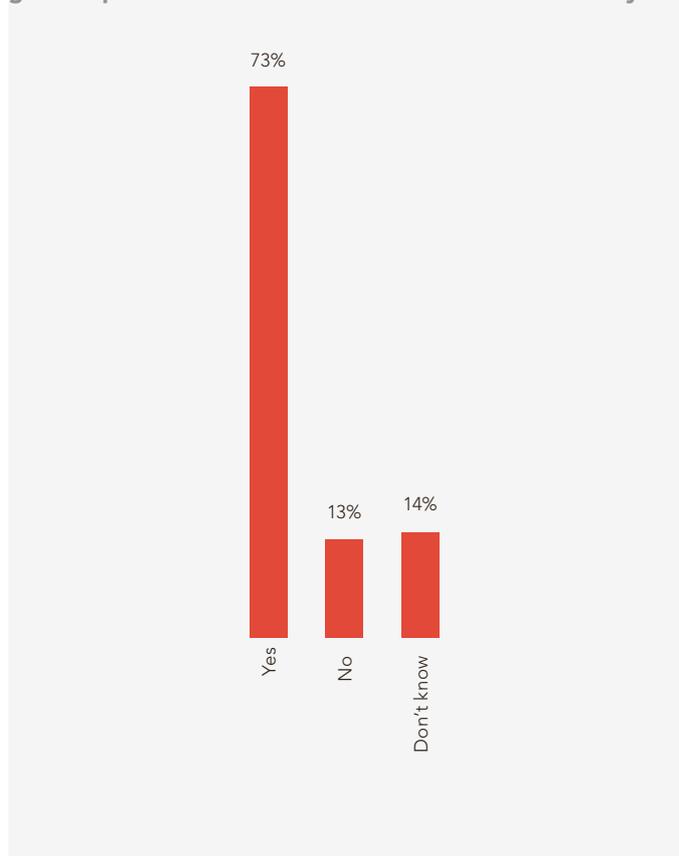
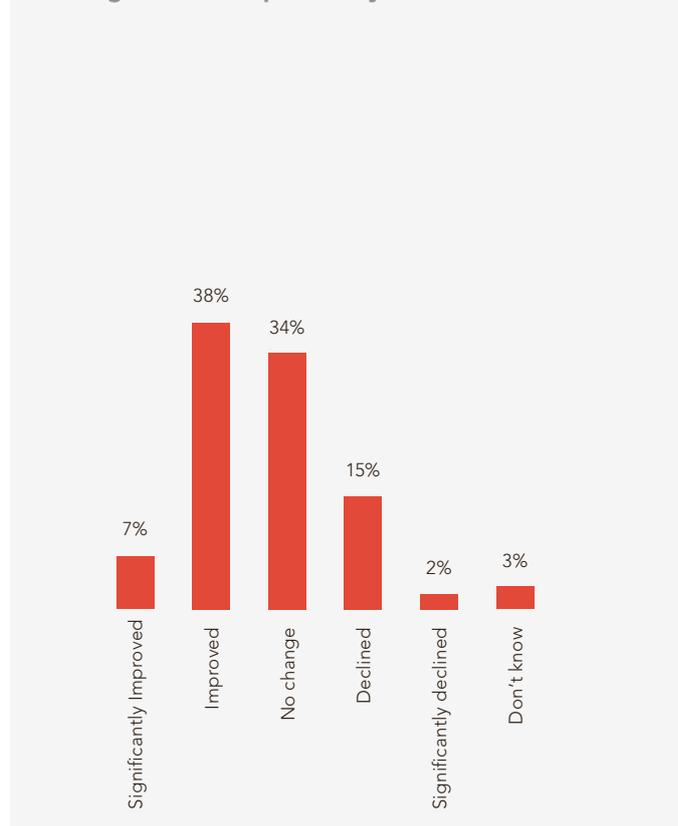


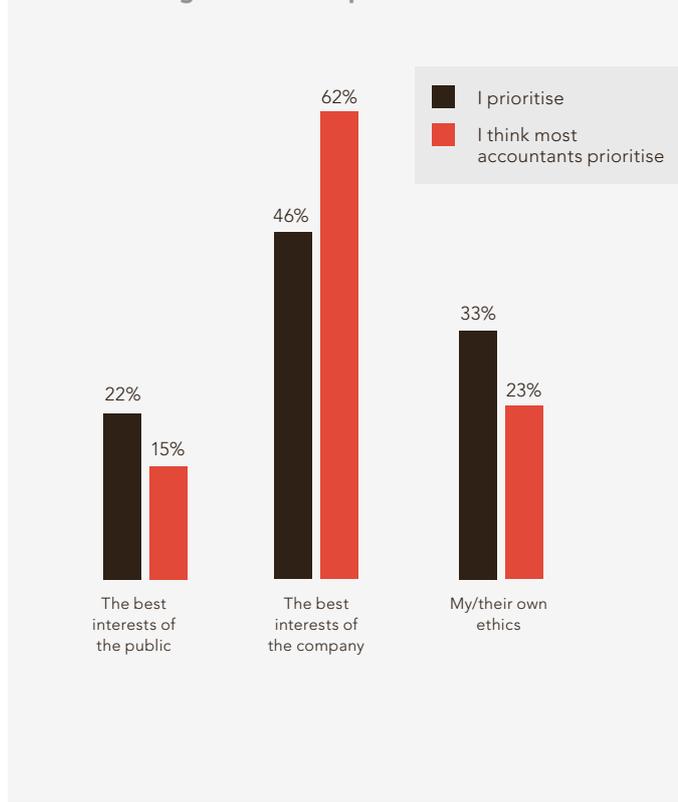
Fig 2.3: Accountants were asked: How do you think the general public's perception of the accountancy profession has changed over the past five years?



These are significant differences rather than glaring contradictions. Nevertheless, this is a perception gap that must be addressed if the accountancy profession is to retain its legitimacy. Providing public value is not enough: convincing the public that this mission is being achieved is also crucial. In practice, it does not seem to be easy for accountants to do that. As Richard Sexton commented, 'People who are technical find it very hard to talk in plain English to people who are not technicians. In the past, we did relatively little training in communication. There's a presumption that everyone knows how to communicate.'

Accountants working in practice were less likely than accountants working in other areas to say that they always prioritised the interests of the company in their approach to their work (Fig. 2.4). Broadly, they believed themselves more

Fig 2.4: Accountants were asked: In terms of guiding your decisions and approach to your work, which of the following do you prioritise most highly? And which do you think the average accountant prioritises most?



likely to act in the best interests of the public, or in accordance with their own ethics.

Nonetheless, across all accountants there was a sharp increase in the number saying that other accountants were likely to prioritise the organisation ahead of the public interests or their own ethics. European accountants were more likely to act in the interests of the company than those working elsewhere, while US accountants were most concerned with their own ethics and values. Considerably more women than men said they acted with regard to their ethics and women were also much more likely to stress the interests of the public. Notably, views about how other accountants act were much less affected by geography or gender.

NO LONGER JUST 'AN ACCOUNTANT'

Ask someone to think of a doctor and they may imagine a general practitioner, a brain surgeon or a cancer specialist – a wide range of different skill sets, but all unquestionably doctors. Ask someone to think of an accountant, however, and the response is likely to be much more uniform – someone who deals with figures.

Yet accountancy also branches into a wide range of disciplines. It is a profession that is almost as varied as medicine. And without public understanding of the diverging roles and responsibilities of different accounting specialists, public perceptions of their value may be misinformed.

At the simplest level, there is the difference between an accountant in practice and an accountant in industry and commerce. Even within these two sectors, self-perceptions can be quite different: for example, those who work in practice have a considerably higher opinion of the value of the profession. 'That does not surprise me,' said Jennifer Tan, CFO at Hutchison Telecommunications in Hong Kong, who was an auditor before moving into industry more than 20 years ago. 'When you are working in the professional field, you are considered in quite high regard. We all considered ourselves as somebody who is independent.'

In industry, however, corporate accountants may have much more varied career backgrounds and experience – and possibly quite different views. 'As they are from industry, while being part of the business, their thinking may not be as rigid as those who have moved from auditing', she commented. 'When you move to industry you are not somebody who is just standing on the high ground. You are

part of your team, you are part of the management. So everybody needs to work together. We cannot consider ourselves in a higher position to others. We should be on the same level. Otherwise, it is difficult to work as a team.'

Despite such differences, both types of professional clearly are accountants. 'The CFO is invariably working to make sure that there is good information to make decisions, that there is a robust professionalism about the organisation, that the sometimes inconvenient questions are asked,' said Richard Sexton, executive board member for reputation and policy at PwC. 'That's no different to the role of the auditor, but the auditor comes as an outsider, rather than being within the business.' Invariably, however, in the event of a company failure, the public asks about the role of the auditors.

Jim Sylph, executive director for Professional Standards and External Relations with IFAC, pointed out that the ethical pressures on the two sides of the profession are 'significantly different and may not be so immediately obvious'. He explained: 'When your sole source of income is an employee salary, it's incredibly difficult to maintain the highest ethical standards and resign from your employment because of something that you are asked to do or that you see your company doing. It's much easier to do that in the case of an audit firm who sees the same sort of situation happening at a particular audit client – because they have got other clients and other sources of revenue.'

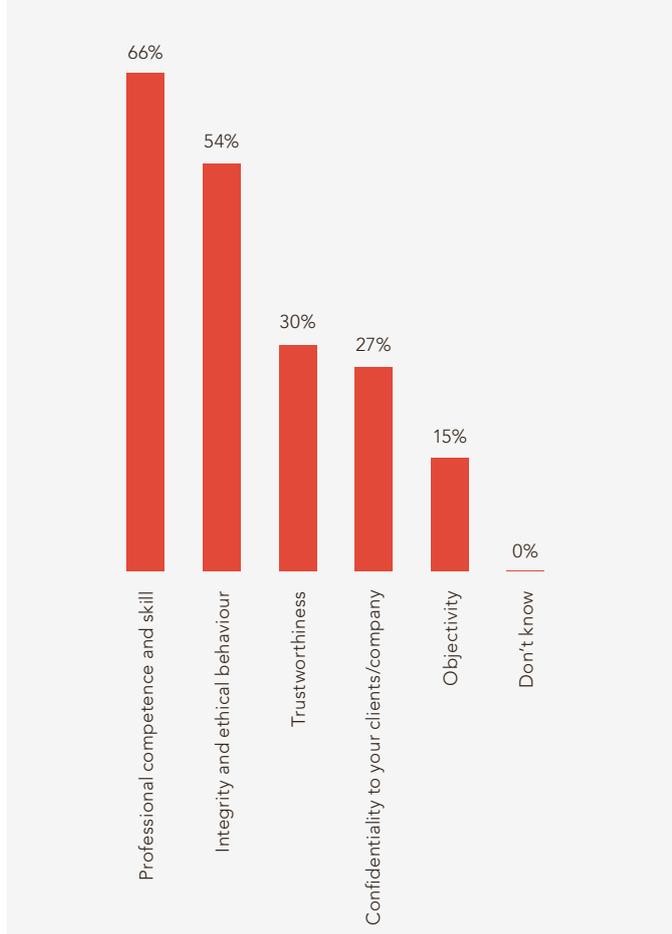
As the world becomes increasingly complex – whether because of technology, business models or financial engineering – the profession is becoming more fragmented and many accountants are becoming more specialised. 'It means you are invariably managing multi-disciplinary experts', added Richard Sexton. 'The term "The auditor" does not exist. The auditor who signs the opinion is the leader – the executive chairman, if you like – of a team of people who will all have varying levels of responsibility for particular aspects of what needs to be delivered – for example pensions accounting or financial control systems or SAP [financial software]. The job increasingly of the auditor – and indeed the CFO – is to marry those skills together so there are not any gaps between them.'

3. Competing demands

BALANCING PUBLIC TRUST AGAINST THE CHALLENGES OF THE JOB

To do their job, to provide value and to withstand the pressures of competing demands, accountants need to bring a range of attributes to their role: objectivity, integrity and competence, clearly, but many others too. Asked to name the most important such attributes, 'professional competence and skill' were chosen by more accountants than any other option, followed closely by 'integrity and ethical behaviour' (Fig. 3.1). Accountants appear to be relatively united on this issue, with little variation in different sectors of the profession on this question, or in different geographies.

Fig 3.1: Accountants were asked: Which of the following personal attributes do you feel are most important for you to uphold in delivering your work?



All these are important attributes, but accountants may sometimes face conflicts between upholding such values and the demands of the real world. Encouragingly, however, there is little sign that any of these core attributes are currently being stressed to breaking point.

There are, however, four points worth noting.

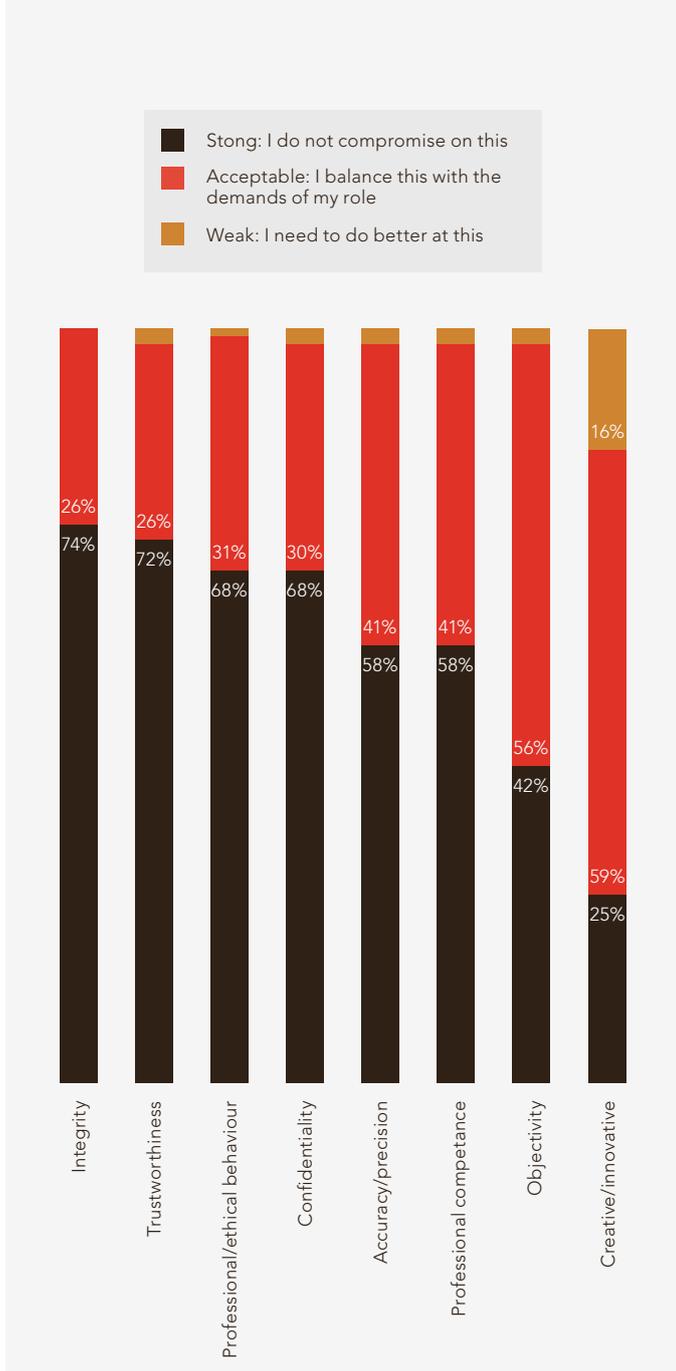
Many of those accountants polled said they did not compromise on core values such as confidentiality and accuracy. However, just over a quarter (26%) said they had to balance the demands of their role when it comes to integrity and trustworthiness. Interestingly, some 16% of respondents rated themselves as needing to do better when it comes to being creative and innovative. An underlying reason for this feedback maybe down to the commercial realities they face on a day to day basis.

While 'professional competence and skill' is the personal attribute considered most important, it is also one where a significant minority are prepared to compromise. This may be because while a robust skillset is a requirement for the job, it is not necessary for an accountant to be skilled at every aspect of the role. For example, other experts can be called upon, from within the company, or advice may be sought from professional advisers. Kholeka Mzondeki, the interim CFO of Arup, the engineering firm in South Africa, said, 'It's all about what assurance I can give myself that I've called on the experts to give me appropriate advice and to use my experience and judgement to make a call'.

The relatively low rating of 'objectivity' stands in contrast to the view from Robert Herz: 'For the profession to maintain its value it's important to be seen to be objective and credible. That doesn't mean you shouldn't also be a good business consultant and add value that way, but I think the primary value we add is through our objectivity,' he says. 'I think that's whether you're within a company or you're in auditing or you're advising a company. There are clearly people who hire accountants to put a veneer of credibility on things that are not very credible. I don't think that serves us well.'

Being creative and innovative is increasingly important to the accountancy profession. Maciej Jania, managing director of DP Polska (the Dominos Pizza business in Poland) and a former CFO, commented that a good accountant is creative. 'They should be very ideas-driven – very clever people. In the old days, an old-fashioned accountant would look for the problems: 'You cannot do this, you cannot do that'. I think now accountants should make sure that the risk is minimised but then 'You can do this, you can do that'.

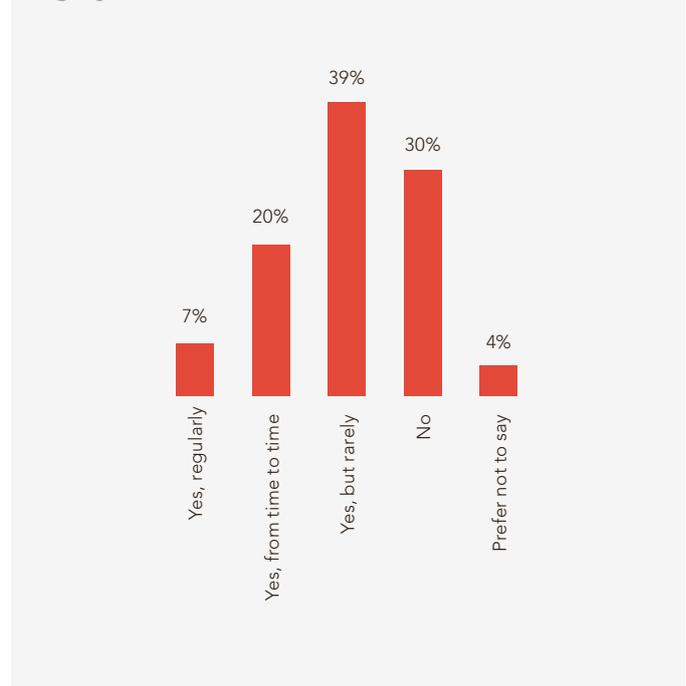
Fig. 3.2: Accountants were asked: How would you rate yourself on each of the following attributes in the way you approach your job and the demands placed upon you?



Competing pressures can create difficult challenges for accountants. These conflicts revolve around ethics, commercial pressures and the burden of regulation. Most appear to be able to deal with conflicting demands but some accountants are more concerned. A little over one-quarter of the accountants reported that they regularly or from time to time come under pressure to act in a manner that is not consistent with their professional ethics or integrity (Fig. 3.3). The figures are very similar for private practice and the corporate world, but accountants in the government/public sector reported the most such conflicts. Perhaps the demands of politicians (and taxpayers) are just too great.

Accountants – particularly those in private practice – have little difficulty in supporting the notion that their services provide considerable value to wider society. Even so, it is not always easy to balance the sometimes-conflicting interests of employers and of the wider public. Nearly one-third (28%) of accountants warned of this issue.

Fig. 3.3: Accountants were asked: Have you ever been put in a situation where you faced pressure to act in a manner that is not consistent with your professional ethics/integrity?



The corresponding survey of members of the public revealed that they also thought this might be a problem: just over half said that accountants work only on behalf of their companies or themselves, rather than the public interest. Robert Herz put it colourfully when he said: ‘For the profession to maintain its value, it’s important to be seen to be objective, credible and skilled – rather than just, “Find me a way to avoid taxes”’.

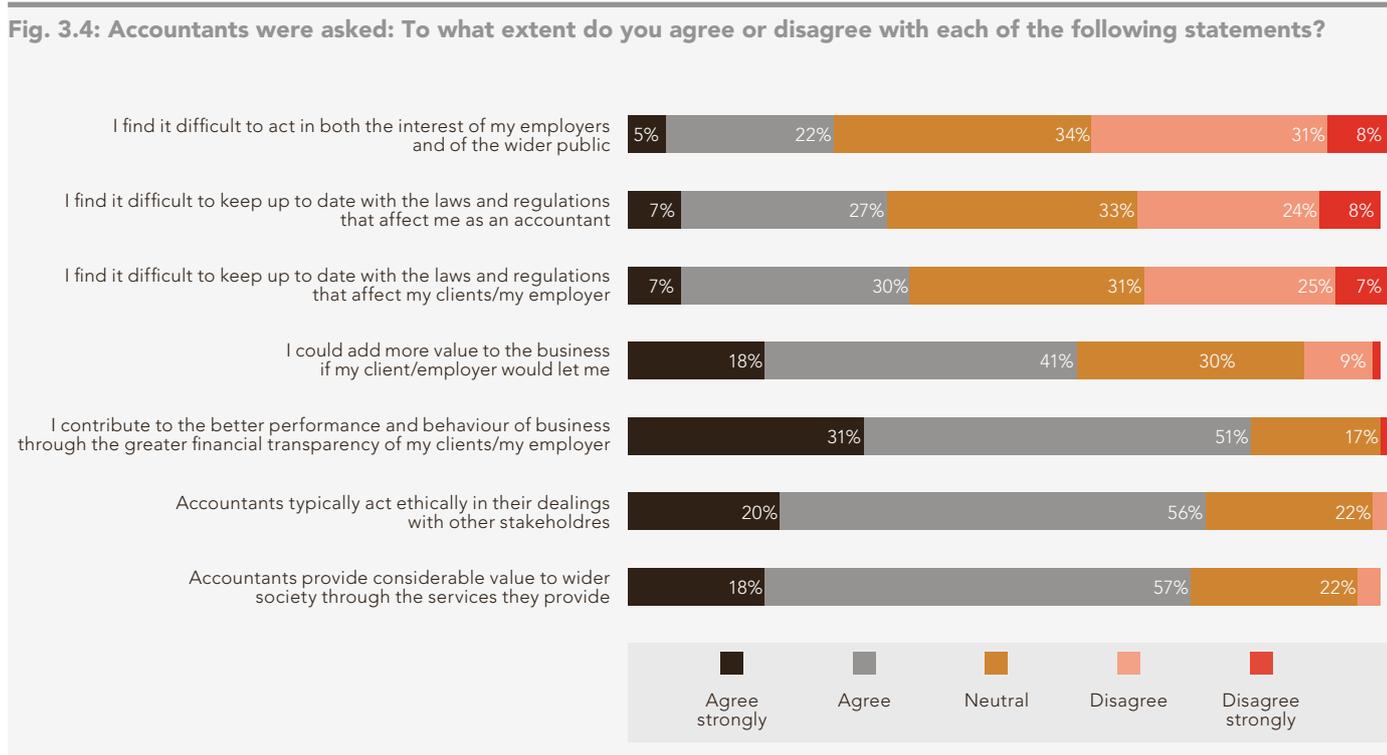
Accountants also say they could provide more value to the business if only their employer or clients would let them (Fig. 3.4). There are both obstacles and opportunities here. In audit, for example, there has been a lengthy discussion about the extent to which value-added services are available and appropriate.

Gerard Rahman, CEO in the United Arab Emirates for BDO, an advisory firm, works in a part of the world where the audit is not generally required for regulatory purposes but instead is needed to meet particular requirements – the demands of a lender or major shareholder, for example. He explained that the key is to be proactive about adding value. ‘So we say, “Here’s the audit report but here’s also what our thoughts are

about your business”. People seem to appreciate that. You show them that there is value to be had. And the way we improve our margins is by adding value.’

While 45% of the polled accountants in private practice said they could add more value if their client would allow them, the figure rose to 65% for accountants in industry and commerce. At Hutchison Telecommunications HK, Jennifer Tan said: ‘I always tell my staff we should try to create value. Maybe there’s something people overlooked that we should let them know about. We should bring some new ideas to them. I find more and more people recognise this – not just the main board but also the peer group in other departments: sales, marketing, or business development.’

To persuade other people in the organisation that finance can add value, ‘I need to play this role first’, she added. ‘I always try not to just do what people ask me to do. Actually, I need to bring a lot of advice to them or show them which way is the best way to achieve the goal. By taking the initiative we change the minds of people.’



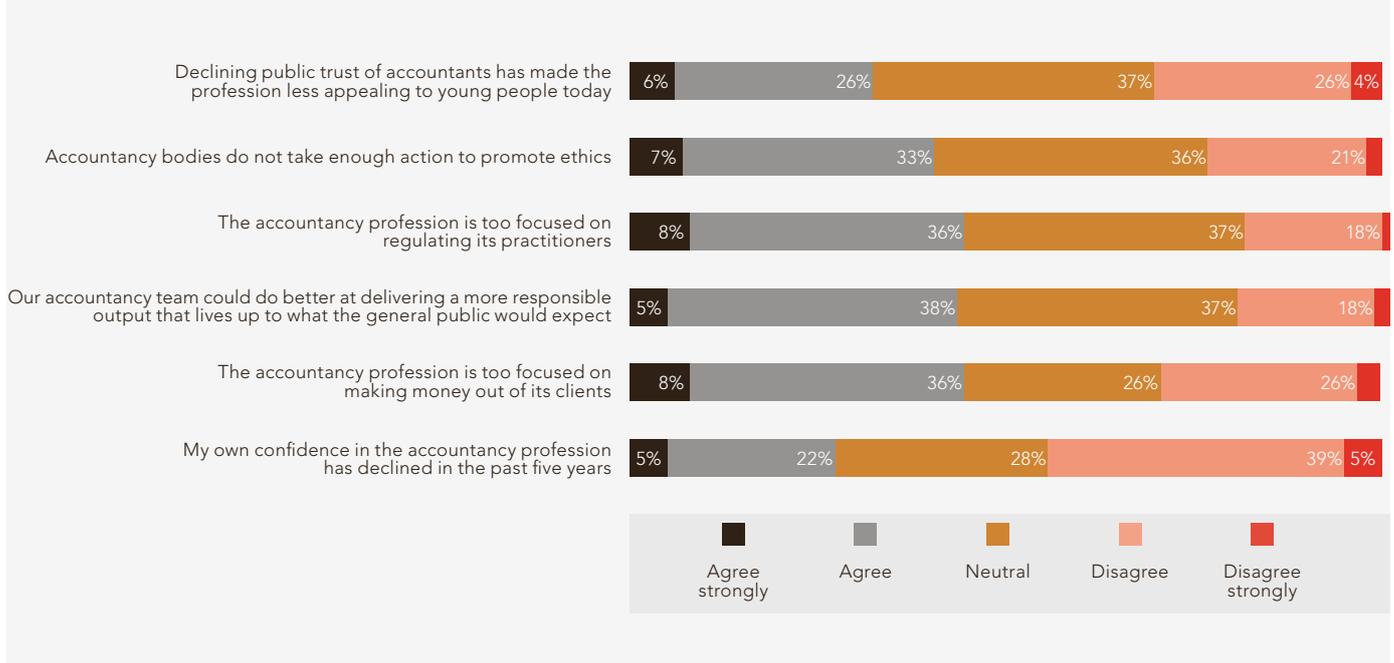
These challenges not only have an impact on individual accountants but also on the profession as a whole. Across a range of questions, a significant minority of the accountants responding – typically around 40% – say the profession is too focused on making money out of its clients, could do more to live up to the public’s expectations, is too focused on regulating its members, and does not do enough to promote ethics.

Robert Herz said that he believes practices are improving. ‘There was a period of time certainly here in the US and I think in other parts of the world at the big firms where the messaging was a little bit mixed as to what was the most important thing that the firm expected of you or what got you career advancement,’ he says. ‘Was it doing a quality audit or serving clients in a quality kind of way? Or was it keeping clients who may not be themselves of utmost integrity happy? Was it just selling business, using the audit as a distribution channel for other services? That sent mixed messages to the people.’

IFAC’s Jim Sylph made the point that the wider world (including other members of the accountancy profession) will know nothing of the ‘hundreds of times’ that an auditor has resigned from an audit client ‘because they just don’t like what they see. It’s a sort of hidden reality’. He adds that many IFAC member associations have set up ‘hotlines’ for people to call anonymously to discuss ethical dilemmas with which they are dealing.

PwC’s Richard Sexton disagreed with the 44% of accountants who say that the profession is too focused on regulating its members (Fig. 3.5). ‘I think if you’re going to be a professional you’ve got to have a level of professionalism’, he argues. ‘You’ve got to have standards of behaviour and in today’s world you’ve got to subject yourself to review. If that is a focus on regulation I think it is welcome. The challenge arises when you become too focused on the pure process-compliance elements.’

Fig. 3.5: Accountants were asked: To what degree do you agree or disagree with the following statements about the accountancy profession?



Many of these issues came to the fore when the polled accountants were asked about the culpability of the profession for a number of undesirable events and practices (Fig. 3.6). Some 70% said, for example, that the profession must take at least some of the blame for the global financial crisis. A similar number said that accountants are at least partly to blame for excessive corporate cost-cutting programmes. Around 80% said that the profession is at least partly responsible for tax avoidance by company and/or high-net-worth individuals. More to the point, almost that number think the profession is to blame for the public's distrust in the motives and behaviour of business.

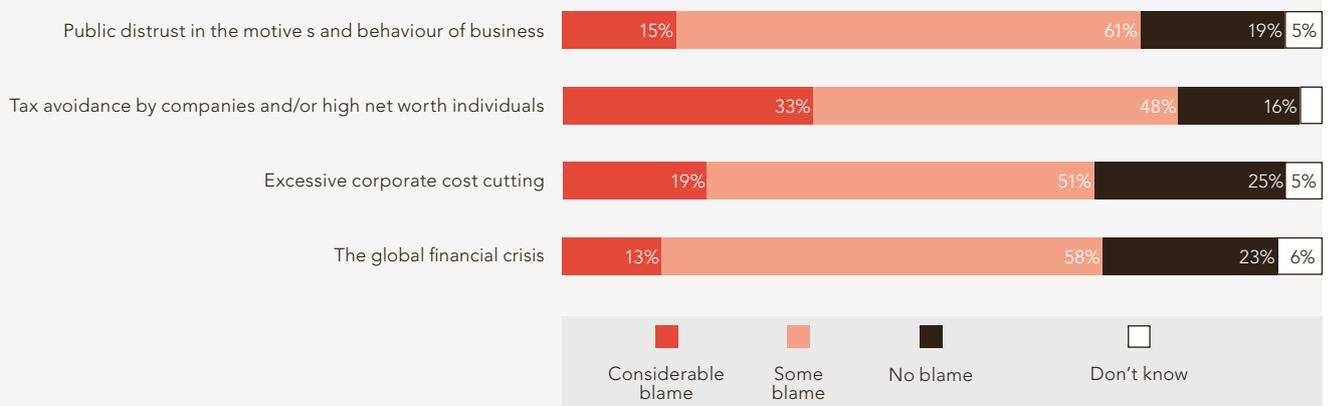
The views of accountants in industry and commerce were markedly different from those in private practice on the question of whether their own confidence in the accountancy profession had declined in the past five years. While fewer than 10% of accountants in practice shared that view, 28% of accountants in industry and commerce admitted to having

had their confidence dented. In private practice, almost 60% disagreed with the statement – compared with only 40% of the polled accountants in the corporate world.

The global financial crisis has clearly undermined confidence for a significant minority of the profession (Fig. 3.6). Arup's Kholeka Mzondeki argued that, 'accountants could have done more' before and during the crisis. Having worked in financial markets herself, she claimed that accountants would have known that the 'toxic assets' at the heart of the meltdown had no value: 'But because it's a system, it works until something goes wrong and then the whole thing collapses'. Maybe accountants did highlight the fact that there was a problem in their own organisations, she added, 'but I think that's where they stopped, instead of actually raising riot'.

Robert Herz took a different view. He pointed out that the financial crisis is very different from the corporate reporting scandals of a decade ago, where the Enron and WorldCom

Fig. 3.6: Accountants were asked: To what extent is the accountancy profession to blame for the following issues?



collapses, for example, were instances in which members of the profession clearly failed to do their job. 'I think the kind of assertions that have been levelled at the accounting firms in the wake of the financial crisis – particularly by politicians – are less justifiable', he said. 'The expectation that the auditors should have been the sole or main ones to scream and ring alarm bells was, in my view, a bit unrealistic and disingenuous but that certainly doesn't mean that audits can't be improved using the benefit of hindsight.'

PwC's Richard Sexton made a point about audits, generally. 'You have to make big judgements. And that makes us fallible. We have to be honest about being fallible and we have to make that clear to people when we talk to them. The value of accountancy – the value of measurement – is not its absolute certainty; it's the ability to give you reliable information on a timely basis that's relevant to the decisions you want to take.'

At Arup, Kholeka Mzondeki's comments addressed the argument that accountants are responsible for excessive corporate cost-cutting. 'We must not be seen as people who just want to say no. It's easy to cut cost when it's really about questioning your strategy and making difficult calls. We should be seen as people who reason, who are going to direct business in the right way. And sometimes direct them that by **not** doing something you are actually risking the business. For example, if you are a mobile phone company and you don't upgrade your IT systems because you think you are saving costs, you are risking the business. So an accountant is **not** only somebody who is focused on cost – it's about adding and driving value.'

4. The way forward

ENHANCING PUBLIC TRUST IN THE ACCOUNTING PROFESSION

Around half the accountants surveyed stated that the accountancy profession plays a very significant role in a wide range of issues that are of value to the public, such as the efficient functioning of business and markets, ethical business behaviour, and the promotion of the financial, social and environmental sustainability of business (Fig. 4.1). Almost all believe that the profession has at least some role to play. In almost all cases, the view of accountants in industry and commerce on this is even more emphatic than that of accountants in practice.

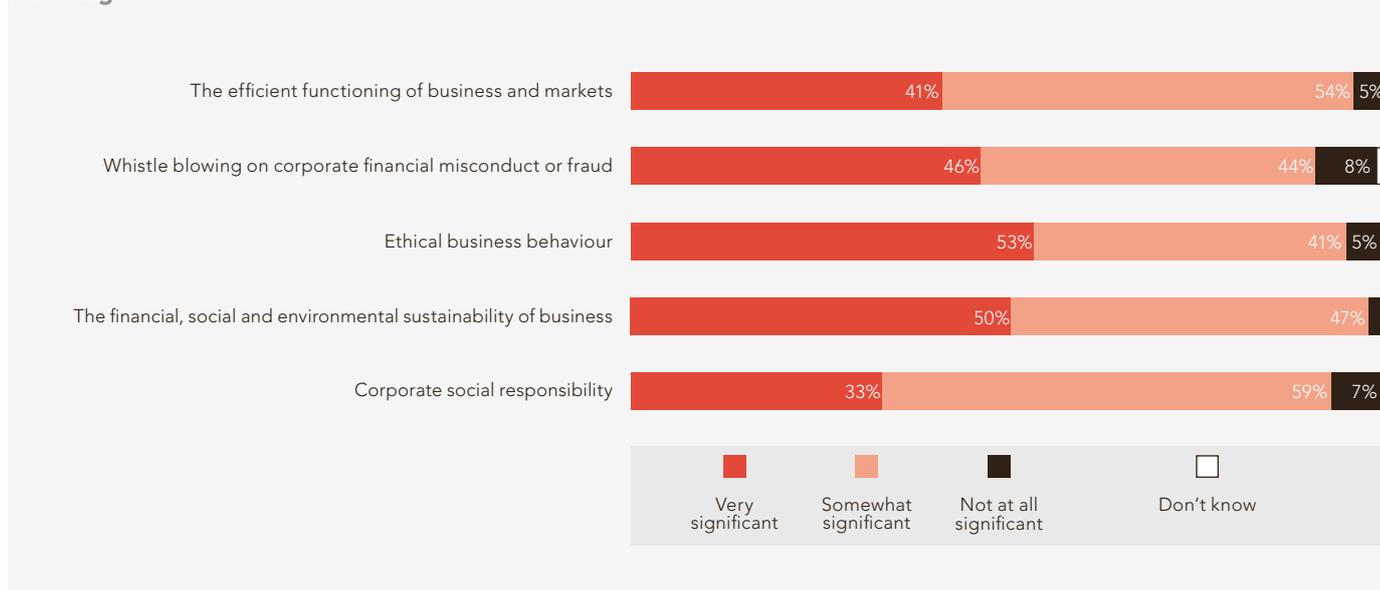
Hutchison Telecommunications HK's Jennifer Tan argued that the profession has a wider role to play with regard to corporate social responsibility and sustainability issues in particular. 'The last few years we've started to be more focused on that. We all know that other than profit-earning, we also need to consider other social factors, such as environmental protection. Although we have just started it, we can definitely do more and better.'

In Poland, Maciej Jania agreed: 'I would say that is part of being a business adviser. I wouldn't say this is a function in itself, but my understanding is [that] an accountant should be a business partner and business adviser'.

Richard Sexton added: 'Our biggest influence can be on helping organisations measure things effectively so they understand what is happening in their business. In the area of CSR, what's happened in the last five years is that people have got a lot better at measurement. That's where we can help them. It's up to them to decide whether they are happy or unhappy about the environmental footprint. If you can't measure things, you can't effect change. We can add a lot of value and I think we already have.'

Jim Sylph referred to the emerging integrated reporting concept. 'Companies have to do more than just report the numbers in the annual accounts', he said. 'They have to do more to link together their green initiatives and their social/

Fig. 4.1: Accountants were asked: How significant do you believe the accountancy profession's role is in each of the following issues?



economic initiatives into a coherent picture. The best companies are doing these things now but in pockets that aren't interlinked. It's not going to be easy – big steps forward are never easy. But it's the right thing to do for presenting the world with a future that it can continue to sustain itself in.'

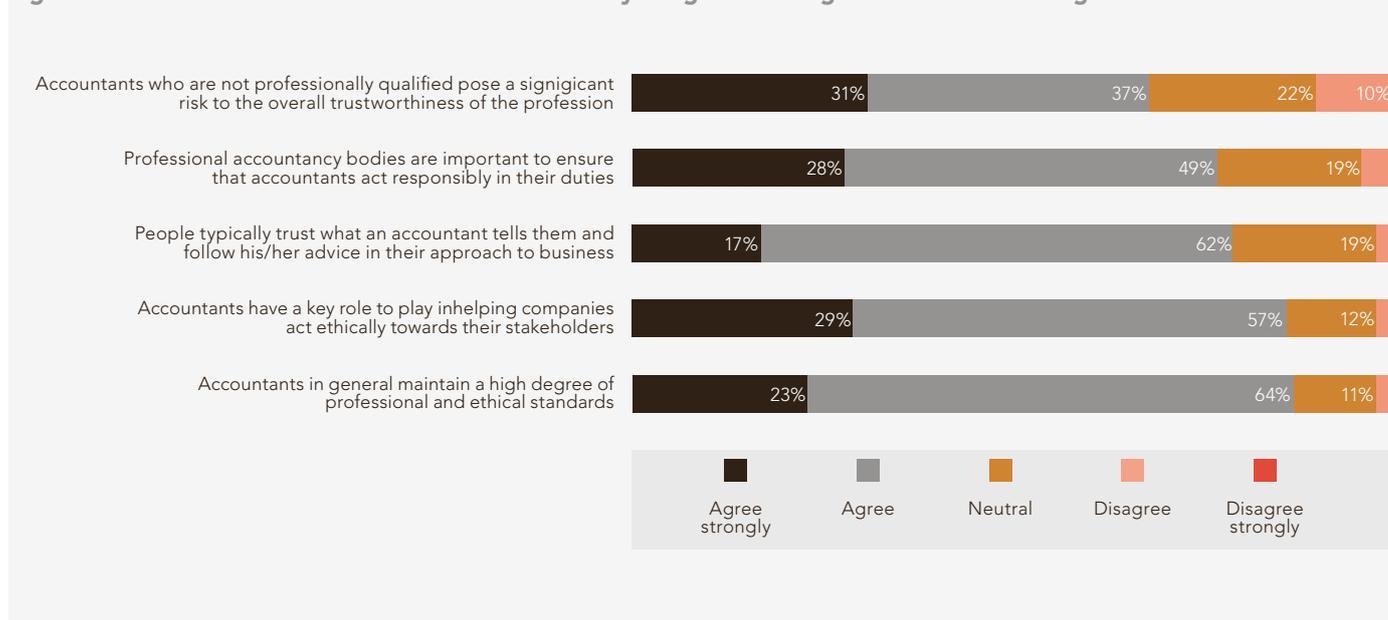
Another important area of public value is protection for whistle-blowers. 'This is one of the biggest and most interesting challenges', said Jim Sylph. 'History has not shown that whistle-blowers are treated kindly by the world or that they find it easy to get another job after they blow the whistle. That's because many organisations tend to say, 'You're not a team player: you're an individualist.'"

IFAC itself is in the middle of work on standards for what accountants should do when they come up against an illegal act. 'We're having a great deal of difficulty in coming up with a reasonable standard on a global basis', Jim Sylph explained, 'when we know that in certain countries of the world blowing that whistle is literally a death sentence'.

Although this problem has yet to be resolved, Jim Sylph was in no doubt about the merits of the work. 'I believe the role of every one of the members of the profession is to promote ethical behaviour, to support ethical behaviour and to promote ethical disclosures and positions by either employers or firms – whoever your employer is. I think that accountants have a strong ability to participate in leading and setting the tone at the top of an organisation. I think the way we were trained right from the very beginning teaches us bad from good and I think we do instinctively want to do good, to be good, and be seen to be good.'

Most accountants believe not only that accountants maintain high standards but also that they have a key role to play in helping companies to act ethically. Moreover, most believe that accountancy bodies are important to ensure that accountants act responsibly. More than two-thirds say that accountants who are not professionally qualified pose 'a significant risk' to the overall trustworthiness of the profession (Fig. 4.2).

Fig. 4.2: Accountants were asked: To what extent do you agree or disagree with the following?



Accountancy bodies also have a role to play in promoting the profession – in raising awareness and educating stakeholders, for example. Around 85% of the accountants surveyed said that the profession needs to do more to raise awareness of its role and to improve its image (Fig. 4.3). As Jennifer Tan put it: ‘A lot of people may not know the different responsibilities of accountants. We can have people in the regulatory function, in the treasury field, in liquidation – but people just think we are auditors or bookkeepers. So I think image-building is important. We can let them know that even in accountancy we have different professions, which can bring in different ideas and contribute in different ways – that is actually very important for the social economic system.’

Richard Sexton faces such issues every day. ‘Accountants have done a pretty bad job over many years of explaining to people what they do’, he said. ‘Much of the observation about what accountants and auditors do is based on incomplete information. That doesn’t make such views wrong – it actually puts the onus back on the profession to explain what we do and the value we add.’

Professional institutes also have a duty to play a bigger part in the discussion of public affairs – to influence proposed new legislation, for example. While this already happens in many jurisdictions, there are regions where there is scope for improvement. In some cases, the view is taken that the only

Fig. 4.3: Accountants were asked: Do you think that professional accountancy bodies need to do more on each of the following?

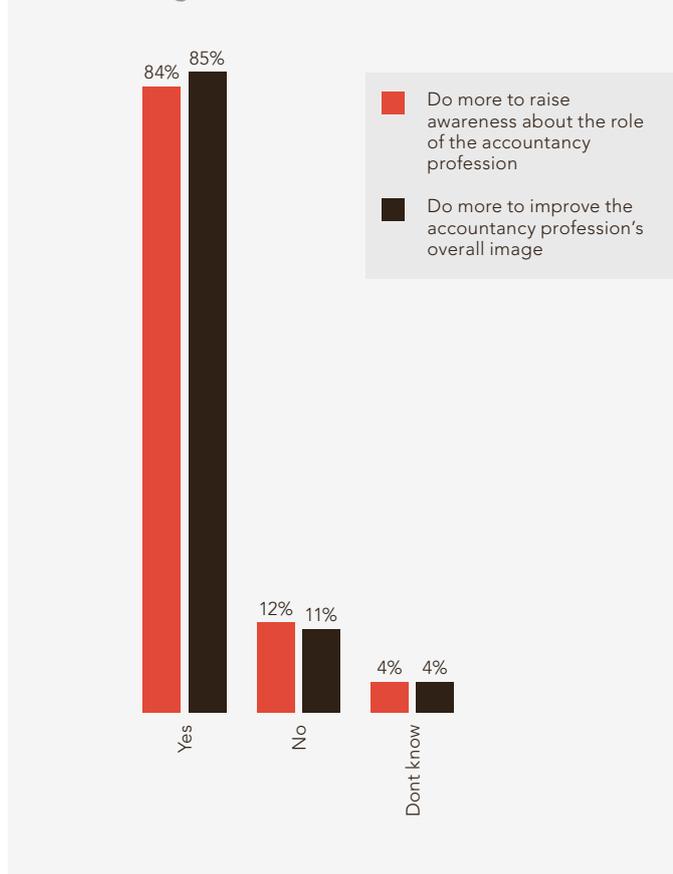
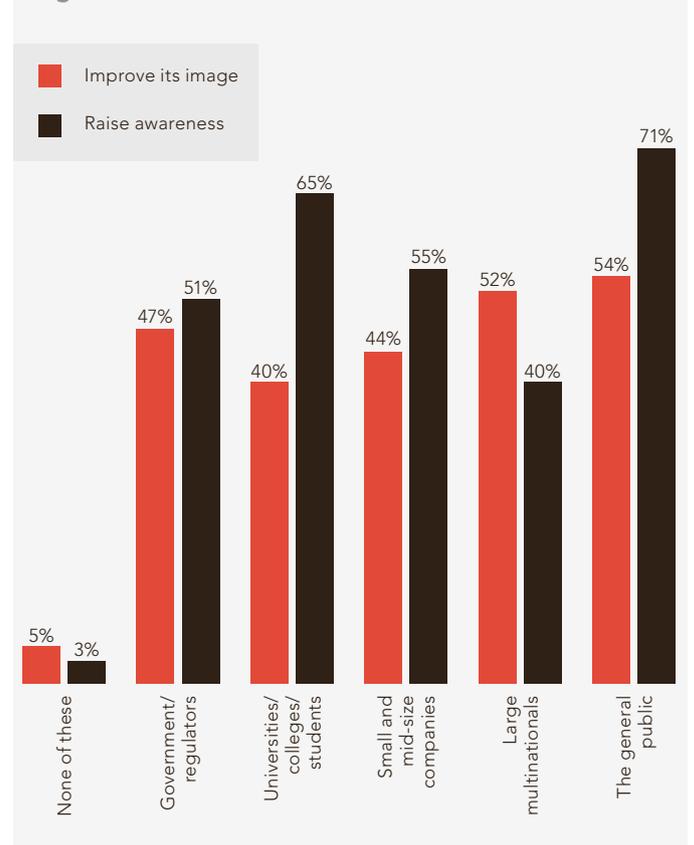


Fig. 4.4: Accountants were asked: Which of the following groups do you think that professional accountancy bodies need to do more to raise awareness for, or improve its image for?



appropriate issues for an institute to comment on publicly are those that directly affect its own members.

It is worth remembering the breadth of stakeholders, too, such as universities and college students, that are needed to ensure a steady flow of young, keen minds into the profession (Fig. 4.4). 'In the war for talent, young people place a lot of value on societal issues', says Laurence Evans, president of Strategy One, the research arm of Edelman, a global PR firm. 'They want to work at a place that feels good, does business the right way, cares about the environment. The profession has to be seen as a more enlightened profession associated with more enlightened companies doing more enlightened things.'

Those who are members of at least one accountancy institute said that having an accountancy qualification can be some help (47%) or a major help (30%) to accountants faced with ethical conflicts of interests/pressures from employers (Fig. 4.6). Hutchinson Telecommunication HK's Ms Tan said: 'Having a qualification is a very strong backing for us. Everybody knows that we are regulated by a professional body, just like lawyers and doctors. If there is any misconduct issue, in the worst case you will be disqualified.'

Fig. 4.5: Accountants were asked: In which of the following ways is your professional accountancy qualification relevant/useful to you today?

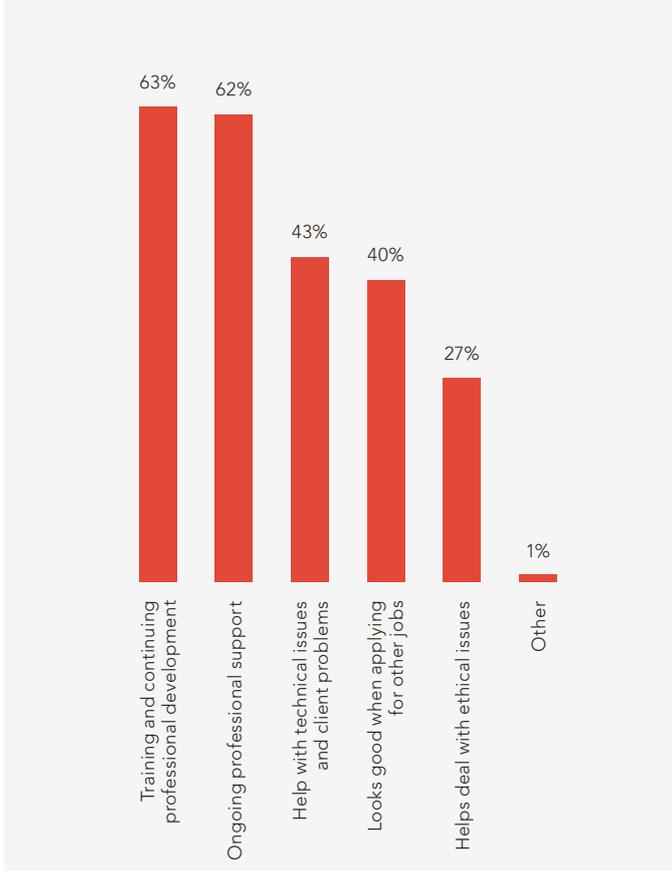
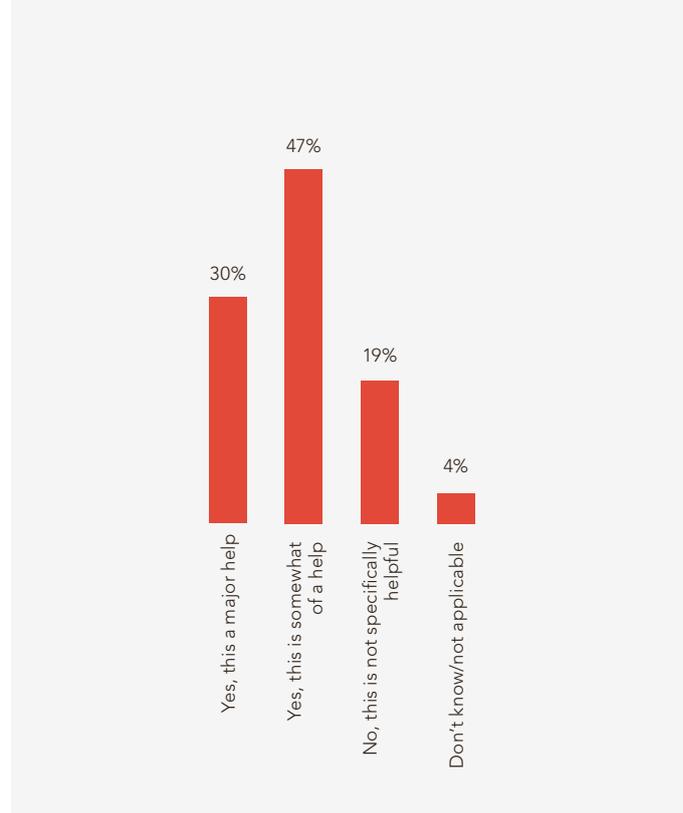


Fig. 4.6: Accountants were asked: Does simply having a professional qualification ever provide you with reassurance of your ethical standards when you are faced with conflicts of interest and/or client/employer pressure to do something inappropriate?



BUILDING TRUST

Trust in the institutions that govern our lives is essential if they are to function in the way we want them to, but trust is easily lost, hard to regain, and increasingly challenged by agents that often now command more respect than once-revered pillars of the establishment. The Edelman Trust Barometer, a major annual research project looking into the public's trust in business, financial institutions, government, and even NGOs, has revealed, for example, that chief executive officers are now one of the least credible company spokespeople for a business or an organisation. Academics, in-house technical experts, even 'regular employees' and 'a person like yourself' command more authority in this sceptical, social-media age.

Laurence Evans, president of Strategy One, the research arm of PR firm Edelman, explained that the components of trust are changing, too. 'The way that people are viewing trust in companies and their reputation means that the financial numbers are of relatively less importance than they did even, say, five or 10 years ago', he said. 'What is broadly happening is that you are seeing a balanced measure between people looking at companies' financial capital and looking at companies' social capital. The drivers of trust have changed.'

For accountants, whether in practice or industry, this underlines the need to think about more than just the numbers. Laurence Evans added: 'Can I trust how transparent the company is being with me? Can I trust the honesty and openness of the communications? There is a mindset shift to say it's not just about getting the numbers right, it's about the process of being able to do that in an open transparent way that gives the public a sense of confidence in the level of disclosure, the level of governance, the level of transparency. An audit has a strong role to play in that level of openness but one which the public traditionally have not associated with auditors.'

Many of the key factors in determining the current level of trust are very operational – criteria such as the ability to produce consistent returns, to be an innovator of new products, and to create partnerships with third parties. In building trust for the future these may, however, be much less important factors than in the past. Societal factors will matter more: listening to customer feedback, treating employees well, placing customers ahead of profits, having ethical business practices, addressing society's needs, and many more such 'soft' issues.

'The accountancy profession has to be seen proactively to be doing those things as well', Laurence Evans said. 'They have to be proactively seen to be not a vested interest that's just at the behest of business to simply rubber-stamp the numbers. They need to be seen as looking and listening – essentially as being at the forefront of helping business to set new standards of ethical business practice, transparent and open reporting and honest and frequent communications in a way that also delivers against societal needs not just on financial reporting but reporting on all the elements of the business.'

5. Conclusion

The accountancy profession can and does create public value in a great number of respects, and is of great overall value to the wider public. The profession is essentially trusted by the general public around the world, but given its vital role in commercial and economic life, there is room for improvement. There is scope to reduce the value gap so that what the profession does and can do is more highly valued.

Improvement needs to begin with greater self-awareness, since the accountancy profession's views of itself are sometimes more positive than public perceptions. As a result, the profession is not always able to fulfil its potential. This is a problem that prevents the profession from adding additional value to employers and clients.

In discussions with experts and practitioners for this report, there appear to be five things that the profession – institutes and accountants themselves – can do to close the value gap identified within this research.

1. Engage in discussion with stakeholders and the public at large about what it is to be an accountant, what accountants do, the different ways that they can and do deliver value, how their role has evolved, and the range of skills and specialisations within the profession.
2. Talk about what an audit is, and what it is not. Unravel the misunderstanding between the concept of assurance, which is what audit offers, and that of insurance, which it does not. Explain why measurement may be very imprecise.
3. Take the initiative and show how accountants can add value. Proactively contribute within organisations and when working with clients. Demonstrate what it is to be a business partner. Help others learn the value of talking through ideas at the outset rather than at the end of a proposal, project or problem.
4. Address legitimate concerns about ethical issues and conflicts of interest that may put pressure on accountants to compromise or to trade off critical attributes against business priorities. Provide support structures for accountants who need help in balancing these conflicts or who need to 'blow the whistle'.
5. Develop the soft skills necessary to engage in meaningful communication with non-technical people. Understand that societal factors such as transparency, listening to stakeholders and treating employees well are just as important as technical accountancy skills for instilling confidence and trust in the profession and increasing the value placed on its work.

There is much, in other words, for the profession and its professional institutes to do. Accountants must not wait for someone else to do all these things for them. To that end, this report should serve as a starting point for a debate that can build on these research findings and the contributions from the accountants and other experts whose thoughts and ideas are included above. Therefore any feedback is welcome: ways must be found for the profession to enhance – and communicate more effectively – the wide-ranging public value it offers.

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