

## An introduction to ACCA's technical policy work



## 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.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 162,000 members and 428,000 students in 173 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of over 89 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

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This document outlines the work of ACCA on technical issues and details the main individual areas of focus.

### FURTHER INFORMATION

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Further information on ACCA's technical policy activities, including links to policy documents, submissions and our consultative global forums, can be found on the website.

<http://www.accaglobal.com/gb/en/technical-activities.html>

<http://www.accaglobal.com/technical>

## WHO WE ARE

ACCA was founded in London in 1904 with a mission to provide a route into the accountancy profession for all persons with the talent and commitment to become professional accountants. Prior to that date accountancy qualifications were effectively restricted to those with the financial means to train for them.

Since that date ACCA has remained true to its founding mission to spread opportunity. Over the years it has expanded its operations across the world and in so doing has enabled people from all walks of life and all countries to train for a globally recognised professional qualification. In the process, ACCA has become the backbone of the accountancy profession in many developing countries, as well as having a major presence in many developed countries. ACCA works to strengthen the global profession, based on the application of consistent standards, which we believe best support international business and the desire of talented people to have successful careers wherever they may be in the world.

The majority of our current global membership of 162,000 is based outside the UK; while ACCA members are found in all countries, especially large numbers are found in Hong Kong, Malaysia, Pakistan, Singapore, West and East Africa and the Caribbean. This global demographic is now fully reflected in our governance structures – half of the 36 members of our governing council are now from outside the UK and we have also established a consultative international assembly which features representatives from all countries in which ACCA has a significant membership presence.

We value highly this international dimension to our activities and seek to ensure that we reflect it in the technical and representational work that we do. This is accomplished primarily through our network of global forums: these are advisory technical groups, which follow the specialist subject areas discussed below, and comprise subject experts from all over the world. By incorporating input from senior members and others from all parts of the world, and from developed and developing countries alike, ACCA is able to present to governments and standard-setting bodies a uniquely representative global perspective.

## ACCA'S TECHNICAL POLICY ACTIVITIES

ACCA is actively engaged on technical policy issues facing accountants and businesses and is well connected with professional and business groupings in the UK, Europe and around the world.

In the UK we are a member of the business body the Confederation of British Industry (CBI) and have regular interaction with a great number of government and regulatory bodies and interest groups including the Financial Reporting Council and Transparency International.

In Europe, we are a full member of the Federation of European Accountants (FEE) (and are represented on all its key technical groups), the Federation of Mediterranean Accountants and the Union Européenne des Artisans et Petites et Moyennes Entreprises (UEAPME), the Europe-wide SME representative body.

On the wider international level, we are a member of the International Federation of Accountants (IFAC) (and are represented on its audit standard-setting body the International Audit and Assurance Standards Board and its business-facing group the Professional Accountants in Business group), the Confederation of Asia/Pacific Accountants (CAPA), and the Global Reporting Initiative (GRI); we are also represented, by our chief executive Helen Brand OBE, on the Council of the International Integrated Reporting Council (IIRC). We are also represented on the expert advisory groups of BIAC, the OECD's business and industry advisory committee.

In all the policy areas where we are active ACCA is committed to the following themes.

- We work to promote the public interest and the highest technical and ethical standards.
- We argue the case for the role that business plays in the creation of wealth for the overall benefit of society, and for the contribution that accountants and auditors can make to that end.
- We champion the virtues of entrepreneurship but highlight also the advantages to businesses of the adoption by them of holistic planning, management and engagement frameworks.
- At the public policy level we support the causes of transparency, accountability, high ethical standards and long-term planning.
- We believe in the virtues of progressive corporate reporting - including via integrated reporting – at the large company and public body levels and in the importance of sound financial management and accounting at the SME level: in both cases we stress the need for entities to provide key stakeholders with the information and other resources that they may need to hold managements properly to account. Similarly, we promote strong public financial management and accountability to the taxpayer for public funds.
- We emphasise the importance of ethical and values-driven governance in both the private and public sectors, and promote the case for accountability to be made integral to all governance structures.
- We stress the material contribution that professional and ethical accountants can make to business operations via external and internal audit, compliance activities, governance and reporting.
- The guiding aim of all the technical policy work that we do is to champion the achievement of integrity in the corporate reporting process and in all those processes that are aligned to it, for the benefit of businesses and their stakeholders.

Our main individual areas of focus are outlined on the following pages.

## SUSTAINABILITY

ACCA has been actively involved in the developing debate on business and sustainability since 1990, when we published the pioneering study *The Greening of Accountancy*. We believe that a systematic approach to sustainable development can benefit businesses by improving performance, attracting market share and investors, minimising risks and helping them to manage the range of their assets more efficiently. We also believe that the reporting by businesses of the material impacts of sustainability issues on their operations can provide essential information to users.

ACCA's commitment to this issue is seen in a number of ways: firstly through the ACCA syllabus, which educates our trainees about the sustainability-related risks and opportunities that businesses face; secondly, through the wide variety of research we undertake into how accountants and finance professionals can contribute to the shift to a sustainable economy; and thirdly through our work with standard setters, governments and regulatory bodies which aims to ensure that sustainability issues are properly addressed and that standards and regulations on this issue are fit for purpose.

ACCA has made a significant contribution over the years to raising the profile of sustainability in the business sector and encouraging not only engagement with these issues on the part of individual businesses but a commitment to regulate on the part of governments and regulatory authorities. The efforts of ACCA and others are now bearing fruit. Many countries now have laws that require listed companies at least to disclose details of their greenhouse gas emissions. In 2014, the European Union legislated to require large companies to disclose narrative information about their social and environmental impacts. And in some jurisdictions, a concern for safeguarding the physical environment forms an integral part of the legal responsibilities of company directors.

Among the important reports we have published in the recent past are *Is Natural Capital a Material Issue?* – a study of the relevance of biodiversity issues for company CFOs –; *Carbon Avoidance?* – an investigation into the extent to which existing reporting standards require or enable the provision of useful information on fossil fuel reserves –; and *Paragraph 47 – International Perspectives One Year On* – a review of how different countries around the world have responded to the conclusions on sustainability reporting reached at the UN Conference on Sustainability in 2012 (Rio +20). We have also commissioned a series of studies on the impact of mandatory requirements on integrated reporting have had in South Africa and later in 2014 will be publishing a comparative review of sustainability reporting requirements in African stock exchanges.

ACCA plays an active role in promoting its interests in this area on many external bodies. We are represented (by Rachel Jackson, our head of sustainability) on the stakeholder council of the Global Reporting Initiative (GRI), the technical working group of the Climate Disclosure Standards Board (CDSB), the advisory council of the Sustainability Accounting Standards Board (SASB) and the working group of the Natural Capital Declaration (NCD). Our Global Forum on Sustainability brings together senior experts on sustainability from around the world and adds value to our work by bringing a wealth of experience and expertise. Further information on ACCA's work in the area of sustainability can be found at <http://www.accaglobal.com/sustainability>.



**Rachel Jackson, Head of Sustainability**  
[rachel.jackson@accaglobal.com](mailto:rachel.jackson@accaglobal.com)



**Gordon Hewitt, Sustainability Adviser**  
[gordon.hewitt@accaglobal.com](mailto:gordon.hewitt@accaglobal.com)

## TAX

For many accountants, whether they work in public practice or in an employed capacity, tax is an integral part of their role. For many clients, expertise in tax matters is one of the core skills that they look for in an accountant. Given all this, ACCA takes an active interest in the law on tax and the way it is administered by government authorities.

Tax happens to be an area of policy that is experiencing a particularly high profile at present as the result of the financial pressures to which many national governments are being subjected and the consequent concern as to whether individuals and companies, especially multinational entities, are paying their 'fair share' of tax.

ACCA is committed to a measured approach in its engagement on tax policy issues. We expect our members always to comply with the law and with their ethical responsibilities to act with integrity and objectivity and to demonstrate due care and professional behaviour in all their work. We believe fundamentally, however, that since tax work is invariably regulated by the law, accountants' primary responsibility when dealing with tax matters is to act within the parameters set by the law. This means that if tax efficient practices are permitted by the law, it is acceptable, for both taxpayers and the law, to take advantage of those practices in order to organise their tax affairs.

Given the public interest in tax matters, ACCA has recently re-assessed its policy in this area, with the aim of striking a reasonable balance between what can fairly be expected of taxpayers and their professional advisers and society's increasing interest in ensuring that it generates sufficient tax revenue to fund its commitments. Central to our new agreed position is that we support strongly the efforts of OECD to find a workable global solution which reflects the way that business is carried out in the digital age and which will accommodate the reasonable concerns of taxpayers and government authorities. Within this new position, we have also reaffirmed our complete opposition to all forms of tax evasion and agreed to encourage our members to bring home to their clients and employers the potentially negative effects of adopting aggressive tax avoidance practices.

ACCA, through its Head of Tax (Chas Roy-Chowdhury), is represented on the Tax Policy Group of FEE and the Tax Committee of UEAPME. Chas Roy-Chowdhury also sits on three committees on tax set up under the auspices of the European Commission, including the Tax Good Governance Platform.



**Chas Roy-Chowdhury, Head of Tax**

[chas.roy-chowdhury@accaglobal.com](mailto:chas.roy-chowdhury@accaglobal.com)



**Jason Piper, Technical Manager  
Tax and Business Law**

[jason.piper@accaglobal.com](mailto:jason.piper@accaglobal.com)

## BUSINESS LAW

Given the present economic climate, and the hope invested by many governments in the ability of the private sector to fuel economic growth, we are seeing an active interest in many countries in the review of legal frameworks so as to dispense with superfluous regulation and to provide an impetus for investment, growth and employment. ACCA has been engaged in the recent past with such exercises in the UK, Singapore and Hong Kong.

We are keen to support measures that facilitate business activity but are also conscious of the need to provide reasonable protections for shareholders, creditors and the general public: with this in mind we have undertaken focused research to review how different jurisdictions interpret what is the right balance between entrepreneurial incentive and stakeholder protection, especially at the SME level. We are also interested in the issue of business format and are undertaking research to investigate what are the structural features that are most conducive to business activity.

While accepting that the key objective of any commercial business is to make profits, we also believe that for all businesses at all levels there is an interface between the business itself and the social and natural environment in which they exist, and that the efficient management of that interface is necessary to achieve lasting business success. ACCA is also supportive of efforts to try to achieve a more long-termist business culture, which is predicated on the value of sustainable development as opposed to potentially dysfunctional short-term growth.

We are also actively engaged in financial crime issues, an area in which accountants are increasingly having to cope with regulatory intervention both from the law and standard-setters in response to the vast new opportunities that have opened up to criminals because of advances in technology. Accountants in public practice are now subject to stringent obligations in most countries to watch out for and to report signs of money laundering and financing of terrorism. And moves are being made to strengthen ethical standards by giving all accountants specified responsibilities to respond to breaches of the law when they come across them.

ACCA believes that accountants have a potentially valuable role to play in acting as gate-keepers and expects all its members to comply with whatever legal responsibilities in this respect are imposed on them in their jurisdictions. But we also believe that great care should be taken by the authorities to ensure that the professional duty of confidentiality, which has for many years been universally seen as a public interest safeguard, is not undermined and overturned except in the most justifiable circumstances and with appropriate protections put in place for the reporting accountant.



**John Davies, Head of Technical**

[daviesj@accaglobal.com](mailto:daviesj@accaglobal.com)

## CORPORATE REPORTING

Company reporting is currently experiencing a prolonged phase of review and expansion, as the purpose of accounting is re-evaluated. Recent years have shown a decline in confidence among many shareholders and other investors, in whose interests financial statements have traditionally been prepared, in the ability of those statements to give them the information they need.

We have consequently seen a focus on making annual reports more concise, removing unnecessary 'clutter' and introducing more 'narrative' information which explains the main messages contained in the financial statements and in some cases adds additional material information to them. We have also seen the development of stand-alone reports that address particular aspects of corporate performance such as corporate governance reports and sustainability reports.

Considerable attention has also been devoted to trying to remedy the shortcomings in accounting and reporting that have been shown up by the financial crisis. Though the effects of the crisis are now subsiding, it continues to have a wider impact on corporate reporting. One example of this is the extensive attention given to the place of the accounting concept of prudence in the accounting framework: it now seems likely that prudence will be re-included in the conceptual framework of the International Accounting Standards Board, an outcome that ACCA would support.

Most recently there has been a campaign to introduce a wholly new form of reporting – integrated reporting – in which all those elements which are most material to an understanding of a company's performance and prospects (both financial and non-financial) are brought together so that the 'big picture' is provided to readers in one place. ACCA supports all these moves to make corporate reporting more meaningful and useful, and is represented on the council of IIRC, the body which is developing integrated reporting.

Separate to these developments, we have seen a continuing momentum towards the development of global standards, not only in financial reporting but in auditing. ACCA is an avowed supporter of global standards, including International Financial Reporting Standards (IFRS): we believe that, since corporate activity is today conducted on a global scale, companies need to account for those activities using reporting standards that are uniform across the world and are thus conducive to the cause of comparability.

ACCA works with many international bodies in the corporate reporting sphere. We are represented, through Richard Martin, our Head of Corporate Reporting, on the accounting policy group of FEE; Richard Martin has also been appointed, in 2014, to the expert group appointed by the European Commission to review the operation of the EU's IAS regulation. We also hold conferences and workshops on a range of corporate reporting issues, recent examples being a conference held in Brussels on the EU Accounting Directive and a round table held in Dubai on integrated reporting.



**Richard Martin, Head of Corporate Reporting**

[richard.martin@accaglobal.com](mailto:richard.martin@accaglobal.com)



**Paul Cooper, Corporate Reporting Manager**

[paul.cooper@accaglobal.com](mailto:paul.cooper@accaglobal.com)



## PUBLIC SECTOR

The public sector is an important sector for ACCA worldwide and our strategic focus remains on ensuring that our policy and technical activities are a major global source of thought leadership in the public sector.

The significance of public expenditure, size and diversity of the public sector means that we place it at the heart of our technical policy agenda. We are continuing to promote the cause of the International Public Sector Accounting Standards (IPSAS) and the adoption of them by public entities. We are also taking an active role in responding to new policy developments such as the potential introduction of European Public Sector Accounting Standards (EPSAS) and proposals for improving the governance and oversight of the International Public Sector Accounting Board (IPSASB).

More broadly, we promote the case for strong public financial management, which includes: the adoption of efficient budgeting and financial management practices by public sector bodies; the implementation of transparent structures of accountability; effective audit and scrutiny; and good governance for the sector. We achieve this through our advocacy and thought leadership work, but most importantly in collaboration with organisations such as parliaments, governments, supreme audit institutions and supranational organisations such as the World Bank, INTOSAI and the UN etc. We are also active members on the public sector committees of FEE and CAPA.

Our policies for the public sector are set out in a publically available document 'Setting high professional standards for public services around the world' (2013), which is revised triennially. In addition, we systematically monitor and comment on regulatory changes impacting on the finance profession in the public sector and promote the importance of accountability and value for money.

Our outreach activities are highly visible. Earlier this year we have supported the first World Bank/CAPA Conference in Asia and a Commonwealth Parliamentary Conference based in Westminster with parliamentarians from 27 countries. There are a number of future high profile events in the pipeline. We are also running with some innovative projects including a comparative whole of government accounting review and have published a series of essays providing insights into the audit of government business.

We also support the dissemination of international accounting best practice for the sector and progress with our successful international conference to promote financial excellence in the public sector.

Our current policy papers, research and consultation responses on public sector issues can be found at <http://www.accaglobal.com/public-sector>.



**Gillian Fawcett, Head of Public Sector**

[gillian.fawcett@accaglobal.com](mailto:gillian.fawcett@accaglobal.com)

## AUDIT AND ASSURANCE

ACCA is recognised by law in the UK and some other countries for the purpose of allowing its members to conduct audit and assurance work. Where we are so recognised we impose strict conditions for the issue of licences to conduct such work and apply quality assurance measures to ensure that members remain fit to practise.

We see independent audit and assurance as having the potential to add significant value to the financial statements prepared by business entities; not only can it add credibility to the accounts, and thereby enhance the commercial interests of the preparing entity, it can also serve as a governance tool by better enabling interested stakeholders to monitor and hold to account those in positions of responsibility in the entity.

Since the start of the global financial crisis in 2007, there has been increasing political and media interest in auditing and in particular in the way that auditors are regulated. This process is set to culminate in early 2014 in the agreement of new legislation in the EU, which will bring in new restrictions on the way that auditors of the largest companies operate. ACCA has been fully engaged with the process of consultation on this new legislation and has made written representations, held many meetings with officials and elected politicians and held a series of events to communicate its concerns.

Our position on the future of audit is essentially that we welcome changes that will increase the value of audit, including the introduction of reasonable extensions to the auditor's responsibilities, but are concerned to avoid imposing an excess of regulatory constraints that might prove burdensome and costly to businesses.

At the small company level, while we believe that an independent audit can still add value, and provide useful assurance to stakeholders, ACCA accepts that there may be a point at which the benefits of an audit are exceeded by its cost. In the smaller company environment, therefore, we accept that the relevant authorities may decide that a formula is to be explored for determining the exact basis on which companies are to be exempted from any otherwise standard requirement for their accounts to be audited. Where such formulas are adopted, we believe that factors other than financial ones should be considered as determining factors.

ACCA is represented on the audit policy group of FEE by Zbigniew Libera FCCA, a member based in Warsaw, Poland. Brendan Murtagh FCCA, from Dublin, Ireland, represents us on the International Audit and Assurance Standards Board and is supported in this by Sue Almond, ACCA's director of external affairs. David York, ACCA's head of auditing practice, chairs the auditing expert group of the European Federation of Accountants and Auditors for SMEs (EFAA).



**David York, Head of Auditing Practice**

[david.york@accaglobal.com](mailto:david.york@accaglobal.com)

## CORPORATE GOVERNANCE AND RISK MANAGEMENT

ACCA is heavily involved in the debate about the purpose and nature of good corporate governance. We see good and ethically-rooted governance as an essential driver of the value creation processes in both business and public sector organisations and a vital contributor to accountability and ensuring the integrity of reporting and audit processes

We contribute to consultation exercises on corporate governance in the UK, the EU and many other countries, we have published a series of thought leadership publications, especially since the onset of the financial crisis in 2007, and have participated in many seminars and conferences all around the world.

Among the studies we have published during this period are: an investigation into the role of corporate governance for the credit crunch, a guide for audit committees on the implications of the credit crunch for them, and a review of the relationship between risk and reward.

We have also identified the elements which for us represent the purpose of governance: more recently we have reviewed this work and in 2014 we have engaged in a consultation exercise to test reaction to our new thinking about the purpose of governance, an approach in which more emphasis is placed on the capacity of governance to create long-term, sustainable value for shareholders and other stakeholders. The consultation proposes a new framework for assessing the efficiency of corporate governance based on organisational performance, providing information on that performance and the need for companies to be held to account for their performance. The feedback we receive on this initiative will be reflected in a considered paper on the subject, which we hope to publish by the end of the year.

Later in 2014 we will also be publishing the results of a detailed international research study into the issue of corporate culture and how it influences behaviour.

ACCA works in conjunction with numerous interest groups and think tanks on corporate governance and risk management and is keen to promote fresh thinking in both areas.



**Paul Moxey, Head of Corporate Governance and Risk Management**

[moxeyp@accaglobal.com](mailto:moxeyp@accaglobal.com)

