

A black and white photograph of a modern building's facade, featuring a complex geometric structure with sharp angles and a grid of vertical and horizontal lines. The sky is visible in the background with some clouds.

# A changing world

THE ACCA GLOBAL FORUMS SYMPOSIUM, 15 APRIL 2013



## 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 154,000 members and 432,000 students in 170 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of over 80 offices and centres and more than 8,400 Approved Employers worldwide, who provide high standards of employee learning and development.

### ABOUT ACCA'S GLOBAL FORUMS

To further its work, ACCA developed an innovative programme of global forums which brings together respected thinkers from the wider profession and academia around the world.

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On 15 April 2013, ACCA held the third symposium of its 10 global forums. This report of the symposium summarises the views of the forum chairs on the most pressing challenges facing accountants globally and articulates a vision for the future.

## 1. Introduction

In April 2013, ACCA held its third Global Forum Symposium in London, bringing together chairs and members of its 10 global forums, along with senior ACCA staff. The insights and ideas developed at this symposium and at the forums generally will directly shape an agenda for the global accountancy profession.

As ACCA chief executive Helen Brand told the symposium, these forums could not exist without the passion and contribution of their wide international membership and are increasingly being viewed as an authoritative voice of insight and innovation in our global profession and the business community.

Their strategic importance to ACCA rests on their ability to draw together business leaders and experts from 33 different countries and across the private and public sectors to provide truly global insights to shape and inform ACCA policy.

In the world of accountancy, they provide a truly unique international perspective which can draw on best practice wherever it is found around the world.

This helps ACCA in turn to increase its reputation and influence with employers, policymakers, regulators and standard setters.

Brand concluded by saying: 'ACCA has always been a strong champion of public value – acting in the public interest, promoting ethical businesses and growing economies. This reflects our desire for ACCA to continue to be a voice which not only stands for excellence but which is also prepared to challenge convention in the development of a strong and more relevant global profession which puts public value first.

'Thank you to all the chairs, members and ACCA experts whose commitment and insight are bringing unique value to the global accountancy profession.'

## 2. A seat at the table – the global forums in action around the world

ACCA's global forums are contributing to and helping to shape the global debates on accountancy and finance around the world. The highlights below provide a snapshot of some of the work undertaken by the global forums and show how our forums are leading the way in understanding the key issues affecting not only the accountancy profession but also governments and policymakers, the drivers of business and financial behaviour as well as issues affecting employers and the wider global economy.

### ACCOUNTING FOR THE FUTURE – GLOBAL VIRTUAL CONFERENCE

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Many of the forums made significant contributions to our most successful online conference, which attracted more than 15,000 delegates worldwide.

### ACCOUNTANTS FOR BUSINESS GLOBAL FORUM

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In October 2012, this forum published its first paper, *The Changing Role of the CFO*, based on insights from CFO roundtables held in New York, Zurich, Shanghai and Moscow, working with IMA (the Institute of Management Accountants). The report identified key issues facing CFOs and shaping their role and the finance functions they lead, such as increasing regulation, the impact of technology, the focus on talent and capability and the growing need for commercial insight.

### GLOBAL FORUM FOR AUDIT AND ASSURANCE

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Against a background of the key issue of developments in audit regulation, members of this forum gave expert views on the proposals of the International Auditing and Assurance Standards Board (IAASB) to improve the auditor's report. Their views were used to develop ACCA's responses to a range of proposals to strengthen audit quality and regulation.

### GLOBAL FORUM FOR THE PUBLIC SECTOR

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This forum staged ACCA's fourth International Public Sector Conference in December 2012. Under the banner of 'Rebalancing the economy – boosting growth', this event featured high-profile speakers such as Mario Marcel of the OECD, Brian Quinn from the World Bank and the IMF's Richard Hughes.

In January the forum published a policy paper, *Setting High Professional Standards for Public Services Around the World*, which outlined ACCA's thinking in a number of key areas from public sector financial management to financial reporting standards for public services, and which attracted a great deal of media interest.

### GLOBAL FORUM FOR CORPORATE REPORTING

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This forum was well represented at ACCA's International Assembly where chair Lorraine Holleway presented alongside Hans Hoogervorst, chairman of the International Accounting Standards Board (IASB).

### GLOBAL FORUM FOR SMES

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This forum has been deeply involved in the debate around SME finance, publishing a paper, *Access to Finance for SMEs: A Global Agenda*. Urging governments to take greater policy action to help SMEs access finance, the paper was issued in time for a G20 meeting. The forum's views are now feeding into the wider European debate on this topic and attracting considerable media interest.

### GLOBAL FORUM FOR SUSTAINABILITY

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ACCA has long been at the forefront of the sustainability debate and with the Global Forum for Sustainability now leading the charge there has been an acceleration in the output of research and the generation of ideas. Recently the forum published the report *Is Natural Capital a Material Issue?* The forum continues to collaborate with many organisations in this area such as KPMG and Fauna & Flora International.

### ACCOUNTANCY FUTURES ACADEMY

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This forum plays a significant role in influencing business and other professional bodies as well as helping to shape ACCA's own future strategies. In autumn 2012 the academy published a report, *100 Drivers of Change for the Global Accountancy Profession*, which identified many of the key drivers that will directly or indirectly impact business and the accountancy profession. ACCA has been asked to present on the report all over the world.

### 3. Corporate governance in crisis

It has been argued that corporate governance is in crisis, and that flaws in governance have led directly to scandals in both the private and public sectors. The symposium brought together an expert panel of speakers, chaired by David Walker from The Guardian newspaper, to consider whether this is so, and in particular, to suggest what boards might need to do differently so as to address the key areas of risk and internal control.

Adrian Berendt, executive director of independent clearing house LCH Clearnet, reflected on the steady increase of guidance and regulation in the area of governance in recent years and told the symposium that the business community needs to rethink what the core purpose of corporate governance actually is. In his view it is about creating value, but he added that his confidence in the ability of governance to create that value has been 'severely dented' by events of recent years.

Citing recent reports into failings at UK banks he noted that high standards of corporate governance appear to have been met but had not worked as planned. 'RBS appeared to play by the corporate governance rules,' he pointed out. 'While the board lacked something in diversity it lacked nothing in talent but still failed to control a headstrong CEO.' He also referred to the recent parliamentary report on the governance of HBOS and remarked on the finding that its directors had been under the strong impression that the company was well run and was compliant with all relevant guidance on governance.

He saw these and similar cases as a failure to obey the spirit of governance guidance as well as the letter of it. 'We want to encourage the right behaviour rather than writing complex rules,' he said. 'Mathematicians and physicists have sought their fortunes in the City refining and measuring models of risk. If we concentrate on making our risk models cleverer and cleverer, we will clearly fail again.'

Lorraine Holleway, head of financial reporting at Qatar Shell and chair of the Global Forum for Corporate Reporting, took up Berendt's point about the virtues of adopting a more behavioural approach to governance and agreed that the regulatory focus should be less on rules and more on principles and 'softer' factors.

She told the symposium: 'Regulators always seem to be creating rules to cover every eventuality and it doesn't work. People always find a way to get round more rules. If you have a set of principles you have a greater chance of success – you need to look at things holistically rather than focusing on a number.'

Gillian Fawcett, ACCA staff expert on the Global Forum for the Public Sector, stressed that there was no clear link between 'good' governance and the performance of an organisation. Common sense says that a well-governed organisation should also achieve high performance, but there is very little evidence to support such a link. There are number of examples in the public sector of high-performing organisations which have poor governance arrangements. She added

that there have been a catalogue of failures in the public sector where time and time again the same issues have come up: lack of skills, poor leadership, unethical behaviour and the inability of boards to understand the data put in front of them etc. The issues all lead back to poor governance.

Accountability is a key issue, said Fawcett, particularly in the public sector where multiple stakeholders are involved. 'The public sector is developing in all sorts of ways, in terms of new partnership models, shared services and the increasing provision of public services by the private sector, and this all blurs the accountability lines,' she said. 'Even if you look at the accountability lines in local government, they are very different compared to health: local elected councillors follow different ethical codes from health trusts.'

Peter Bonisch, managing director of risk adviser Paradigm Risk, argued that more attention needed to be paid to the issue of risk when trying to understand the relationship between governance and performance. He said: 'The banking crisis has had an extended impact on other sectors but that does not mean that there is uniformly a crisis of corporate governance. If there is a generalised problem it is that concerns about governance are preventing companies from taking on risk and managing it properly.'

He added that successful risk management was integral to the creation of wealth and that, without it, we could not be confident that good

governance could lead naturally to higher corporate performance. The key issue, he said, was whether businesses are taking enough risk and doing enough to articulate their individual risk appetites: 'The governance structures we have in place are doing the wrong thing, discouraging boards from taking the risks they need to take if we are to achieve the level of wealth we demand. If corporate boards are doing what is required of them and still falling flat in this area, then we have a problem.'

He also argued for a fresh approach to what was expected of directors, especially non-executive directors. He suggested that the responsibility of boards should be not to formulate strategy themselves but to review strategy plans that had been drawn up by executives. He also said that guidance and regulation should avoid the trap of assuming that NEDs are the answer to all governance challenges: the expectations of NEDs should not be set so high that they can not realistically be met.

There was general agreement that the regulation of governance, in both the private and public sectors, was currently focusing disproportionately on the compliance dimension and was not attaching sufficient weight to how governance arrangements could be effectively structured to promote improvements in overall performance.

## 4. Accountancy and the trust agenda

Addressing the issue of trust is vitally important to the value that accountants bring to society. This was the message for the global forums from Laurence Evans, president of research firm Edelman Berland, which produces the Global Trust Barometer, the leading global study of trust and reputation. It complements well ACCA's own public value agenda which lies at the heart of all its technical and policy work, and runs through the DNA of the global forums.

He told the symposium: 'There's a very strong correlation between trust and transparency. Issues around independence and confidence and transparency are at the heart of what trust means to the accountancy profession.'

Recent issues from banking and tax scandals to the BP Deepwater Horizon oil disaster have shown how easy it is for trust to be lost and highlight the profound reputational and financial consequences this can have.

'Banks and financial services are the one sector that hasn't recovered trust since the financial crisis', Evans said.

This has had a knock-on effect for the accountancy profession, according to Evans: 'It does implicate people who are associated with large companies when it is perceived that there is some sort of system failure, when capitalism itself is questioned. For any third party that is supposed to act as checkers, as policemen or as advisers, when the system fails there is an implication that we have failed to do our due diligence.'

However, he added that people still had more trust in business than in

government, because government was currently seen as ineffectual whereas business was seen as having the ability to get things done.

'The issue with business is not poor performance, but that the incentives are wrong, the governance behind it is wrong,' he said. 'People haven't lost faith in business but they do question the motives and the behaviour behind it.'

Evans told the symposium that when asked for the reasons behind banking and financial scandals by the Edelman Trust Barometer, nearly six out of 10 people had said that these were things companies had under their own control, such as compensation and bonuses or conflicts of interest.

'This is not something that companies can blame on the macroeconomic environment, or the lack of regulation, it is something that companies can influence and accountants can influence as well,' Evans said. 'The perception of internal controls is fundamental to trust in banks and financial services.'

Companies have an opportunity to create a 'virtuous circle' of trust by engaging in open and honest communication and making sure they are part of the global conversation about their industry that will carry on regardless of whether they participate.

'Silence is not golden,' Evans told the symposium. 'Most companies do a tremendous amount of good but the public don't get to hear about it.'

Employees, and professional accountants in particular, can play a key role here. Evans said: 'When we consider the question of who are the

key spokespeople within an enterprise, in the sense of being able to communicate information about the enterprise which is valued and trusted by external stakeholders, then it is clear from our research that it is those with special knowledge and expertise whose word is most likely to be respected.'

This, he suggested, reinforces the crucial role of accountants in helping companies to report on their activities in a way which meets the information needs of their stakeholders. He said: 'The environment in which today's companies operate is highly complex and the pace of change is increasing all the time, all of which adds to the challenge of achieving transparent and informative corporate reporting. The technical skills and professional training of accountants is essential in helping companies to ensure the credibility of the information they present to shareholders, regulators and other interested parties.'

'Accountants are often associated with measuring the hard stuff but increasingly the value you add is measuring the soft stuff of business and making it more transparent.'

There is also a clear role for ACCA in rebuilding trust – the only institutions that have increased their trust in the crisis are non-governmental organisations (NGOs).

'They are trusted because they are seen as not captive to the interests of business and are willing to speak out with an independent voice,' Evans said. 'Hopefully, the accountancy profession carries some of that independence.'

## 5. Standards for business

Audit and accountancy have been strongly in the public domain following the financial crisis, as bodies and opinion formers seek to understand the role the profession played in the crisis. This heightened interest has been seen in public inquiries, reports from regulators and other authorities, consultation papers from government bodies and widespread media attention. Standard setters have not escaped attention either – for example, International Financial Reporting Standards (IFRS) have been a subject of media comment for some years and named as a contributor towards the financial crisis.

While ACCA, along with many other organisations, has welcomed the interest as evidence of the importance of the profession in business life and an opportunity for continuous improvement, the way in which issues and challenges have emerged could actually be creating a problem rather than providing a clear agenda for the future.

There remains a need for a longer-term vision in this area. We should look to how we can influence the long-term development of standards and regulation in a way that seeks to resolve some of the current issues rather than wait for the next crisis, and the associated reactive measures, to occur. The profession needs a mechanism for constant improvement, not just when economic or corporate crises are at the top of political agendas. Businesses need standards that reflect the integrated nature of the reporting process and provide the information stakeholders, particularly investors, need.

This subject was discussed during the forum, and it was agreed that the global forums can consider how proposals to enhance standards and regulation will work for business and enhance investor confidence. Alongside this, ACCA will be working with the various stakeholder groups to articulate a more integrated 'Standards for Business' model that captures input from investors, preparers, standard setters and regulators to effectively prioritise areas for change and development in the accounting system.

## 6. Global forums survey

In September 2012 ACCA conducted a survey of global forum members to discover as much as possible about their experiences of the forums, whether the forums were operating in the way they were intended to do and whether they were meeting members' expectations of what they wanted to achieve. Over a quarter of forum members responded, with over 50% of those responses coming from outside the UK, a reflection in itself of how rapidly the forums are achieving their goals of global reach and inclusivity.

Forum members were positive in their verdict:

- 87% said they had personally benefited from being a member of a forum
- 86% said that their forum was an inclusive and open environment for ideas and debate
- 84% also agreed that there was a good balance of skills and backgrounds on their forums.

Responding to suggestions by forum members, we are introducing a new LinkedIn forum which provides an opportunity to members to network and communicate with each other. New forum wikispaces will ensure that all relevant information about the forums is up to date and accessible to all. We have improved the technology platform used for meetings. And we have issued a new online newsletter providing summaries of the global forums' agendas and outputs

## 7. Participants

### **ACCOUNTANCY FUTURES ACADEMY CHAIR: NG BOON YEW FCCA**

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Now an independent consultant, former KPMG partner Ng Boon Yew qualified as a professional accountant in 1974. Since 2004 he has been executive chairman of Raffles Campus, a leading educational group in Singapore.

### **GLOBAL FORUM FOR AUDIT AND ASSURANCE CHAIR: ROBERT STENHOUSE FCCA**

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Robert Stenhouse is the director of national accounting and audit at Deloitte in London, specialising in auditing technical matters.

### **GLOBAL FORUM FOR BUSINESS LAW CHAIR: FARIS DEAN ACCA**

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Faris Dean is a solicitor with the firm Lyons Davidson. He trained with two international accountancy firms before qualifying as a Chartered Certified Accountant and following that trained and qualified as a solicitor.

### **GLOBAL FORUM FOR CORPORATE REPORTING CHAIR: LORRAINE HOLLEWAY FCCA**

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Lorraine Holleway is head of financial reporting at Shell, in Qatar. Previously based in The Hague, she has worked for the Shell group for 13 years in various roles, including in group reporting and finance shared services.

### **GLOBAL FORUM FOR GOVERNANCE, RISK AND PERFORMANCE CHAIR: ADRIAN BERENDT FCCA**

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Adrian Berendt is an executive director with LCH Clearnet, the leading independent clearing house. In 2010 he chaired ACCA's Financial Services Network Panel, and has also been a member of the research and corporate governance committees.

### **GLOBAL FORUM FOR THE PUBLIC SECTOR MEMBER: CHRIS RIDLEY**

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Chris Ridley is director of financial management at the UK's House of Commons. For the last three years he has been a member of the Global Forum for the Public Sector, using his extensive experience of working in the UK public sector for many years to inform the development of accounting and auditing policy. His career has included work in both HM Revenue & Customs and the Treasury, managing large operational budgets as well as tax and general accounting policy development.

### **GLOBAL FORUM FOR SMES CHAIR: MARK GOLD FCCA**

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Mark Gold, immediate past president of ACCA, is a senior partner in Silver Levene, the largest ACCA accountancy practice in the UK, and has been an ACCA Council member for 11 years.

### **GLOBAL FORUM FOR SUSTAINABILITY CHAIR: ANDREA COULSON**

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Dr Andrea Coulson is senior lecturer in accounting at the University of Strathclyde. She has over 10 years' experience on environmental risk management projects and accounting for climate adaptation strategies. She has developed and chaired the ESRC Financial Sector Environment Forum and conducted research commissioned by many external funding bodies including the UK Economic and Social Research Council.

### **GLOBAL FORUM FOR TAXATION CHAIR: MUKESH GUNAMAL FCCA**

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Mukesh Gunamal is director of global tax quality and risk management at Ernst & Young. He was chair of ACCA's taxation committee and is a former ACCA Council member.



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