



IFAC 2007 GLOBAL LEADERSHIP SURVEY

SUMMARY OF FINDINGS

November 27, 2007

INTRODUCTION

As essential participants in the financial reporting supply chain, accountants and auditors around the world often have their fingers on the pulse of their country's or region's prospects for economic growth and development. In addition, worldwide leaders of professional accountancy organizations can offer important perspectives on economic infrastructures in their jurisdictions, as well as a keen assessment of their country's profession. The International Federation of Accountants (IFAC) sought to tap into this insight with its first *Global Leadership Survey*.

IFAC, which conducted the survey as part of its 30th anniversary activities, is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC has 158 member bodies and associates in 123 countries.

This summary presents background information on the survey's scope and methodology and highlights notable findings. A complete list of organizations that responded to the survey appears as an appendix to this report.

SURVEY SCOPE AND METHODOLOGY

IFAC invited the Presidents and Chief Executives of its member bodies and associates, as well as regional accountancy organizations and regional groupings, to respond to the online *Global Leadership Survey* between October 1, 2007 and November 20, 2007.

IFAC received a total of 143 responses from member body Presidents and Chief Executives, representing 115 IFAC member bodies and associates in 91 countries. In addition,

eight leaders representing three regional accountancy organizations and three acknowledged regional groupings completed a regional version of the survey. The majority of respondents were Chief Executives of their respective organizations.

The Global Leadership Survey posed 15 single and multi-part questions in six categories:

- Economic growth and development;
- International standards;
- Public sector financial reporting and financial management;
- Issues impacting the profession;
- Public confidence in the profession; and
- Benefits of membership in IFAC.

The survey results were sorted geographically and included the following regions: Asia Pacific, Europe, Latin America and the Caribbean, the Middle East and North Africa, North America, and sub-Saharan Africa.

NOTABLE FINDINGS

The following information highlights findings from IFAC's 2007 Global Leadership Survey and notes any commonalities or differences by region.

Economic Growth and Development

Despite the current sub-prime loan crisis, a majority of respondents expressed optimism about the prospects for economic growth and development in their countries in 2008. In large part, respondents said the availability of human capital – that is, ample labor supply – will make an important contribution to economic growth and development in their countries over the next 12 months. According to those surveyed, the two other key factors in economic expansion in the

next year are likely to be the growth of small and medium entities (SMEs) and access to financial capital.

Almost unanimously, respondents said that a strong accountancy profession plays a key role in their individual country's growth and development. Many respondents commented that accountants and auditors add credibility to the financial information provided to lenders, investors and other stakeholders. They also felt that professional accountants are necessary for the optimal functioning of capital markets.

Regional Findings

Taxation policy, followed by education and training, were seen by Latin American and Caribbean respondents as adding most to growth and development in their countries in 2008, while corruption was the issue identified as having the most potential to inhibit economic expansion. European survey respondents also viewed education and training, as well as the growth of SMEs, as potentially strong economic contributors. However, European respondents indicated that for their individual countries a lack of investor confidence in capital markets carried the biggest threat of disrupting the economy. In North America, the cost and availability of energy was seen as posing the greatest threat to growth, while international trade policies and the growth of SMEs were seen as contributing to growth. Respondents in the Asia-Pacific region cited the availability of human capital as the issue that could tip the scales either in favor of or against economic growth and development in the coming year.

International Standards

Convergence to a single set of international standards is very important to economic growth and development in their countries, according to survey respondents. They ranked convergence to International Standards on Auditing (ISAs) at the same high level of importance

as convergence to International Financial Reporting Standards (IFRSs). Respondents viewed convergence to a single set of IFRSs for SMEs as important but less important than convergence to IFRSs or ISAs. Approximately 50 percent of respondents said convergence to a single set of international standards for SMEs is important to economic growth in their countries.

Regional Findings

A majority of respondents in Latin America and the Caribbean and the Middle East/North Africa felt that convergence to a single set of internationally recognized accounting standards for SMEs was important to their countries' growth and development in 2008.

Public Sector Financial Reporting and Financial Management

Approximately one-third of survey respondents indicated that their countries are applying International Public Sector Accounting Standards (IPSASs). Leaders of professional accountancy organizations in countries that do not apply IPSASs resoundingly believe that if their governments did adopt these standards, the result would be increased in-country economic growth and development. They also indicated that applying IPSASs would enhance public sector accountability in their jurisdictions.

Regional Findings

Unanimously, survey respondents from African and the Middle Eastern countries where IPSASs are not applied said that doing so would significantly stimulate economic growth and development in their countries.

Issues Impacting the Profession

National Issues

Looking ahead to 2008, reputation of the profession was seen as the most important national issue to be addressed by accountancy organizations, followed by attracting new entrants

to the profession. According to respondents, most countries face the challenge of a shortage of professional accountants. They also indicated that this limited supply of qualified accounting professionals is having a negative effect on some national economies. Two other issues perceived by respondents to be significant in their countries in the coming year were implementing new accounting and/or auditing standards and auditor liability.

Global Issues

Survey respondents pointed to three issues as most affecting the global accountancy profession: perception of the profession's integrity by the public and regulators, staying current with professional practices, and supporting SMEs. Answering the new demands of the market and auditor liability were also seen as very important or important global issues by the vast majority of respondents.

When asked about issues facing professional accountants in business, survey respondents said applying new accounting standards ranked highest on the list of 19 possible issues, followed by adopting good practice in internal control and risk management, and perceptions of accountants' integrity by the public and regulators. Two other issues that respondents agreed would impact professional accountants in business in their countries were the increasing complexity of financial reporting and adopting good practice in corporate governance.

Regional Findings

Most geographies reported challenges with staffing shortages to varying degrees. Survey respondents in Africa, the Middle East/North Africa, and Latin America/Caribbean said their financial communities face the most pressing challenges in meeting the need for accountancy professionals. Both North American and Asia-Pacific survey respondents reported significant challenges filling accountancy jobs, while Europe's shortages were reported to be less extreme.

Among geographies, North America ranked retaining and attracting members to the profession as its most important issues in 2008. In keeping with this regional finding, North American respondents also identified a shortage of accounting professionals as a challenge to economic growth and development in their countries over the next year. Middle East/North African respondents said that the reputation of the profession was its most pressing issue, followed by attracting new entrants to the profession. Survey respondents in Latin American and Caribbean countries unanimously stated that reputation is the most important issue for the profession in their countries in 2008.

With respect to issues that affected the global accountancy profession, there were some slight differences in regional perspectives. More than three quarters of North American respondents said that regulatory overload ranked first among ten possible global issues. In Latin America/Caribbean, respondents said that staying current with professional standards was the most important followed by keeping up with new technology. In sub-Saharan Africa and Asia Pacific, three quarters of respondents said that answering the new demands of the market was the global profession's top issue, followed by staying current with professional standards.

Though most regions consistently identified the same issues as most affecting professional accountants in business, two geographies differed from the majority. Sub-Saharan African respondents saw adopting good practice in corporate governance as the top issue for accountants in business in their region. North Americans indicated that ensuring robust strategic management and the increasing complexity of financial reporting were equally important for their professional accountants in business.

Public Confidence in the Profession

Survey respondents were asked to rate public confidence in professional accountants in their countries as excellent, good, fair or poor. Some 70 percent said public confidence was good while 15 percent said public confidence was excellent and 15 percent said fair. Only one respondent rated public confidence as poor.

Regional Findings

Europeans, followed by sub-Saharan Africans, indicated the strongest level of public confidence in the accountancy profession in their countries.

The Value of IFAC Membership

A large majority of member bodies and associates said that IFAC membership enables them to stay current with global developments, provides a forum for international interaction, facilitates the exchange of resources, and helps to enhance their reputation and credibility. In addition, members and associates indicated that membership in IFAC provides them with ready access to standards, principles, and best practices that can guide the development of the profession in their countries. Several member bodies listed the ability to participate on IFAC boards and committees as a significant benefit, because it enables them to demonstrate, and be seen as working in, the public interest. Membership also allows them to debate and participate in the development and promotion of international standards.

ADDITIONAL REGIONAL PERSPECTIVES

Recognized regional accountancy organizations and acknowledged regional groupings differed from IFAC member bodies in their responses to several parts of the survey. Regarding economic growth and development, the regional organizations unanimously rated two issues – the growth of SMEs and information technology – as the most important contributors to

economic growth in the coming year in their respective regions. All regional respondents also agreed that corruption was the factor most likely to inhibit growth, followed by energy costs and availability.

Respondents from regional organizations and regional groupings agreed with member body respondents that convergence to IFRSs and to ISAs is a key to economic growth and development in their regions. In addition, a solid majority of regional organizations said that convergence to a single set of IFRSs for SMEs is important for economic growth.

With respect to professional issues, three quarters of regional organizations viewed the changing regulatory landscape and the reputation of the profession as most important to the profession in their region over the next year. At the global level, regional organizations felt the two most important issues were staying current with professional standards and supporting SMEs and SMPs.

Finally, nearly 90 percent of regional organizations and regional groupings said that public confidence in the accountancy profession in their regions was excellent or good.

CONCLUSION

The results of this survey have been provided to IFAC's Planning and Finance Committee, IFAC boards and committees, member bodies and associates, regional accountancy organizations and groupings, and the Public Interest Oversight Board for their consideration in the development of their strategies and various initiatives.

IFAC GLOBAL LEADERSHIP SURVEY PARTICIPANTS

<u>Country:</u>	<u>Name of Organization:</u>
Albania	Institute of Authorized Chartered Auditors of Albania
Argentina	Federación Argentina de Consejos Profesionales de Ciencias Económicas
Armenia	Association of Accountants and Auditors of Armenia
Australia	CPA Australia
Australia	National Institute of Accountants in Australia
Australia	The Institute of Chartered Accountants in Australia
Austria	Institut Österreichischer Wirtschaftsprüfer
Azerbaijan	Chamber of Auditors of Azerbaijan Republic
Bangladesh	The Institute of Cost and Management Accountants of Bangladesh
Belgium	Institut des Experts-comptables et des Conseils fiscaux
Belgium	Institut des Réviseurs d'Entreprises
Bolivia	Colegio de Auditores de Bolivia
Botswana	Botswana Institute of Accountants
Brazil	Conselho Federal de Contabilidade
Brazil	Instituto dos Auditores Independentes do Brasil
Bulgaria	Institute of Certified Public Accountants of Bulgaria
Canada	Certified General Accountants' Association of Canada
Canada	The Canadian Institute of Chartered Accountants
Chile	Colegio de Contadores de Chile
China	Chinese Institute of Certified Public Accountants
Costa Rica	Colegio de Contadores Públicos de Costa Rica
Cyprus	The Institute of Certified Public Accountants of Cyprus
Czech Republic	Union of Accountants of the Czech Republic
Denmark	Foreningen af Statsautoriserede Revisorer
Denmark	Foreningen Registrerede Revisorer
Egypt	The Egyptian Society of Accountants & Auditors
Estonia	Audiitorkogu (Estonian Auditing Board)
Fiji	Fiji Institute of Accountants
Finland	HTM-tilintarkastajat ry - GRM- revisorer rf
France	Compagnie Nationale des Commissaires aux Comptes
France	Conseil Supérieur de l'Ordre des Experts-Comptables
Georgia	Georgian Federation of Professional Accountants and Auditors
Germany	Institut der Wirtschaftsprüfer in Deutschland e.V.
Germany	Wirtschaftsprüferkammer

<u>Country:</u>	<u>Name of Organization:</u>
Ghana	Institute of Chartered Accountants - Ghana
Guatemala	Instituto Guatemalteco de Contadores Públicos y Auditores
Haiti	Ordre des Comptables Professionels Agrees d'Haiti
Honduras	Colegio de Peritos Mercantiles y Contadores Públicos de Honduras
Hong Kong	Hong Kong Institute of Certified Public Accountants
Hungary	Chamber of Hungarian Auditors
Iceland	Félags löggiltra endurskoðenda
India	The Institute of Chartered Accountants of India
Indonesia	Indonesian Institute of Accountants
Iran	Iranian Association of Certified Public Accountants
Ireland	The Institute of Accounting Technicians in Ireland
Ireland	The Institute of Certified Public Accountants in Ireland
Israel	Institute of Certified Public Accountants in Israel
Italy	Consiglio Nazionale Dottori Commercialisti
Italy	Consiglio Nazionale Ragionieri e Periti Commerciali
Japan	The Japanese Institute of Certified Public Accountants
Jordan	Jordanian Association of Certified Public Accountants
Kazakhstan	Chamber of Auditors of the Republic of Kazakhstan
Kenya	Institute of Certified Public Accountants of Kenya
Korea	Korean Institute of Certified Public Accountants
Kosovo (UNMIK)	Society of Certified Accountants and Auditors of Kosovo
Kuwait	Kuwait Association of Accountants and Auditors
Lebanon	Lebanese Association of Certified Public Accountants
Lesotho	Lesotho Institute of Accountants
Lithuania	Lithuanian Chamber of Auditors
Madagascar	Ordre des Experts Comptables et Financiers de Madagascar
Malawi	The Society of Accountants in Malawi
Malaysia	Malaysian Institute of Accountants
Malaysia	Malaysian Institute of Certified Public Accountants
Malta	The Malta Institute of Accountants
Mexico	Instituto Mexicano de Contadores Públicos, A.C.
Moldova	Association of Professional Accountants & Auditors of the Republic of Moldova
Mongolia	Mongolian Institute of Certified Public Accountants
Montenegro	Institute of Certified Accountants of Montenegro

<u>Country:</u>	<u>Name of Organization:</u>
Netherlands	Koninklijk Nederlands Instituut van Registeraccountants
New Zealand	New Zealand Institute of Chartered Accountants
Nicaragua	Colegio de Contadores Públicos de Nicaragua
Nigeria	The Institute of Chartered Accountants of Nigeria
Norway	Den Norske Revisorforening
Pakistan	Institute of Chartered Accountants of Pakistan
Pakistan	Institute of Cost and Management Accountants of Pakistan
Pakistan	Pakistan Institute of Public Finance Accountants
Panama	Colegio de Contadores Públicos Autorizados de Panamá
Peru	Junta de Decanos de Colegios de Contadores Públicos del Perú
Philippines	Philippine Institute of Certified Public Accountants
Poland	Accountants Association in Poland
Poland	National Chamber of Statutory Auditors
Portugal	Ordem dos Revisores Oficiais de Contas
Romania	Chamber of Financial Auditors of Romania
Romania	Corpul Expertilor Contabili si Contabililor Autorizati din Romania
Russia	Russian Collegium of Auditors
Russia	The Institute of Professional Accountants of Russia
Saudi Arabia	Saudi Organization for Certified Public Accountants
Singapore	Institute of Certified Public Accountants of Singapore
Slovakia	Slovenska Komora Auditorov
Slovenia	The Slovenian Institute of Auditors
South Africa	South African Institute of Professional Accountants
South Africa	The South African Institute of Chartered Accountants
Spain	Instituto de Censores Jurados de Cuentas de España
Swaziland	Swaziland Institute of Accountants
Sweden	FAR SRS
Switzerland	Treuhand-Kammer
Tanzania	National Board of Accountants and Auditors - Tanzania
Thailand	Federation of Accounting Professions
Trinidad & Tobago	The Institute of Chartered Accountants of Trinidad & Tobago
Tunisia	Ordre des Experts Comptables de Tunisie
Turkey	Expert Accountants' Association of Turkey
Turkey	Union of Chambers of Certified Public Accountants of Turkey
Uganda	Institute of Certified Public Accountants of Uganda

<u>Country:</u>	<u>Name of Organization:</u>
Ukraine	Ukrainian Federation of Professional Accountants and Auditors
United Kingdom	Association of Accounting Technicians
United Kingdom	Institute of Chartered Accountants of Scotland
United Kingdom	The Association of Chartered Certified Accountants
United Kingdom	The Chartered Institute of Management Accountants
United Kingdom	The Institute of Chartered Accountants in England & Wales
United States	American Institute of Certified Public Accountants
United States	Institute of Management Accountants
United States	National Association of State Boards of Accountancy
Uruguay	Colegio de Contadores, Economistas y Administradores del Uruguay
Uzbekistan	National Association of Accountants and Auditors of Uzbekistan
Vietnam	Vietnam Accounting Association

Regional Accountancy Organizations and Regional Groupings:

Association of Accountancy Bodies of West Africa
Confederation of Asian and Pacific Accountants
Eastern Central and Southern African Federation of Accountants
Eurasia Council of Certified Accountants and Auditors
Interamerican Accounting Association
South Asian Federation of Accountants