

**“Role of the Accountancy Profession in Supporting
Competiveness and Financial Stability”
REPARIS PAO Regional Forum
June 1, 2012
Göran Tidström, President
International Federation of Accountants**

Distinguished guests and ladies and gentlemen, I am Göran Tidström, president of the International Federation of Accountants (IFAC).

Before I being my remarks, let me first recognize the REPARIS staff, not only for helping to create a transparent policy environment and effective institutional framework for corporate reporting in South East and South Central Europe, but also for assembling this conference.

I'd also like to thank The World Bank for its leadership role in advising countries on accounting and audit regulation and the Centre for Financial Reporting Reform (CFRR) for making great strides in growing the accountancy profession and building its capacity in the region. The center's efforts with Poland, Latvia, Slovenia, and the Czech Republic, as well as its work in South East Europe, are a credit to the profession and worthy of our recognition.

Since most of you were here yesterday, you know that IFAC is the global organization of the accountancy profession, representing approximately 2.5 million accountants in public practice, education, government services, industry, and commerce.

We are pleased to participate in the REPARIS Program along with global and European standard-setters and regulators and to co-host this event, and I'm grateful for the opportunity to speak today.

One of IFAC's primary roles is to support four independent standard setting boards – the International Auditing and Assurance Standards Board; the International Ethics Standards Board for Accountants; the International Accounting Education Standards Board; and the International Public Sector Accounting Standards Board.

But we also have a broader vision. IFAC's vision is that the global accountancy profession be recognized as a valued leader in the development of strong and sustainable organizations, financial markets and economies.

According to the UN Conference on Trade and Development - International Standards of Accounting and Reporting: “Accounting plays an essential role in economic development,” and the profession can have a crucial role in helping nations advance and meet future business needs.

The accountancy profession has a unique opportunity to lead and stakeholders are looking to us to step up to the challenge. In many respects, we are central to encouraging and supporting competitiveness and financial stability.

And as we discuss the accountancy professional in general, I'd like to take a moment to speak more specifically about the role of Professional Accountancy Organizations (PAOs). Let me begin by reinforcing the idea that PAOs act in the public interest and are integral to the delivery of good corporate governance and supporters of consistent global standards.

There is an integral relationship between strong PAOs and healthy financial sector performance, overall economic growth, competitiveness, financial stability, and social progress.

Through education, certification, and continuing professional development programs, these organizations produce competent professionals who are able to meet the demands of the market by producing high-quality financial information.

PAOs set the bar for behavior and practice of accountancy professionals, through adoption and implementation of international professional and ethical standards and best practices.

Quality assurance and investigation and discipline are crucial. PAOs—alone or together with regulators—can work to enhance the application of these standards. Well-functioning systems not only operate to strengthen professional behavior, but also to educate and reinforce best practices. This advances the profession and the quality of information provided, and enhances public trust in the quality of their work.

As centers of knowledge and expertise, PAOs assist governments, regulators, and other stakeholders, both at the individual country and regional levels, with sound public policy guidance and advice on accountancy related topics.

On the topic of public policy, as nations work toward EU membership, the development of solid economies requires credible and reliable financial information to further sound economic and financial management, build lender and investor confidence, and increase the attractiveness of a country's investment climate, which facilitates foreign investment and business development.

PAOs are the most effective, efficient and sustainable source for advancing the accountancy profession. It's important that PAOs work together, cooperate and share best practices, and speak with one voice and display unity of purpose. One of the ways to accomplish this is through REPARIS. Another is for PAOs in the region to join the Federation of European Accountants (FEE), as they progress on the Road to Europe.

To enhance the capabilities of PAOs and address the challenges they face in emerging and developing countries, IFAC's Professional Accountancy Organization Development Committee (PAODC) stands ready to assist. Its focus is on addressing the challenges facing the development of strong PAOs in emerging and developing countries.

The PAODC aims to support PAOs in becoming "centers of excellence" for their countries and regions by developing the capacity of the accountancy profession to produce high-quality financial information and sound financial management systems.

To provide PAOs with clear benchmarks, IFAC's Board issues Statements of Membership Obligations (SMOs) to current and potential IFAC member organizations to assist them in ensuring high-quality performance by accountants worldwide.

SMOs are a serious commitment, but necessary to help professional accountancy organizations achieve standards that facilitate transparency, consistency, economic growth, and financial stability.

Recently, the Pan African Federation of Accountants (PAFA), an organization founded only last year, passed a resolution adopting international standards on accounting, auditing, education and ethics. PAFA's resolution, which mirrors most of IFAC's SMOs, is an important step in achieving a business climate that promotes economic growth and stabilizes the region's financial system.

We hope that Europe will follow this example. And we are encouraged by the recent proposed legislation in the EU to adopt ISAs for member states, as well as Eurostat's review of the International Public Sector Accounting Standards.

We also hope that the REPARIS PAOs will continue to the path to adherence with the SMOs by adopting and implementing international standards—and the PAODC stands ready to assist with Action Plans. This is an important step both for PAOs who wish to become members of IFAC, associates who wish to become members, and for countries that wish to join the EU.

The accountancy profession must also embrace all of our sectors, in order to support competitiveness and financial stability.

Of course, we support auditors of listed companies through the International Auditing and Assurance Standards Board, and public sector accountants through the International Public Sector Accounting Standards Board. These boards not only issue standards, but also tools and guidance to support these sectors.

Another sector is Small and Medium Practices. According to the Organisation for Economic Cooperation and Development (OECD), the small- and medium-sized entities sector accounts for over 60 percent of gross domestic product (GDP) and 70 percent of total employment in many countries. These businesses require high-quality financial information to support business planning, facilitate access to credit, and expand operations. This high-quality information enhances the ability for SMEs to thrive.

IFAC's SMP Committee represents the interests of professional accountants who work in SMPs. It develops guidance and tools to help them practice, and endeavors to ensure the needs of the SMP and SME sectors are considered by standard setters, regulators, and policy makers.

The SMP Committee advocates on behalf of SMPs to raise awareness of their role and value, especially in supporting SMEs, and the importance of the small business sector overall.

I am especially pleased to see our SMPC chair, Giancarlo Attolini, taking part in this conference. During the upcoming panel discussion, he, along with a number of his fellow panelists, will share their particular perspectives on the needs of SMPs and SMEs.

We also must embrace and support professional accountants in business. PAIBs are engines for growth and employment and vital to the sustainability of economic development, and through the work of its Professional Accountants in Business (PAIB) Committee, IFAC seeks to achieve global recognition of professional accountants in business as organizational leaders and strategic partners in building long-term sustainable organizational success.

The PAIB focuses on increasing awareness of the important roles professional accountants play in creating, enabling, preserving, and reporting value for organizations and their stakeholders. It also supports IFAC member bodies to enhance the competence of their members to fulfill these roles by facilitating the communication and sharing of good practices and ideas.

Yes, there is diversity in the accountancy profession. But cooperation and collaboration among these sectors is crucial in order to enhance competitiveness and financial stability. Indeed, cooperation and collaboration among nations is a vital component too. In the REPARIS region, your shared cultural and language similarities will facilitate this process.

As the region works through this current challenging economic environment, nations wishing to join the European Union must “up their game” by achieving competence and competitiveness. These qualities are central to the strategy of Europe 2020 – to create smart, inclusive and sustainable growth, which in turn will increase employment, expand access to education and reduce poverty.

Partnering with the World Bank and REPARIS, IFAC stands ready to assist states in pursuit of their goals. As we move to this morning’s panel discussion, which includes several IFAC representatives, we will share learning and experiences and I look forward to participating with all of you.