

“Working with IFAC and the Donor Community to Support Development in Africa”
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Good afternoon, ladies and gentlemen. I am truly delighted to be here today to participate in this important event. We have been anticipating this event for 4 or 5 years now, and I know a lot of people have worked very hard to make this happen and to make PAFA a reality.

My congratulations to Matsobane Matlwa, Chairman of the PAFA Steering Committee and all stakeholders involved in the development of PAFA. And many thanks to Mamour Fall, President of ONECCA Senegal, for hosting this event, and to Aziz Dieye and Patrick Kabuya, Members of the Steering Committee, for actively contributing to its organization.

And, on behalf of IFAC, congratulations to Senegal on your big move in the FIFA world rankings. Even though it was announced several weeks ago, I thought there would still be parties to celebrate! But we have enough to celebrate with the launch of PAFA. It's an important step. To me, one of the most impressive things is that this was done during a period of global financial crisis!

As we stand here today, the world is still affected by the financial crisis and the economic environment. Most African economies showed resilience during this period, but they were certainly still affected by the broader global slowdown. Currently, sub-Saharan Africa is experiencing a broad-based economic recovery, with projected growth, according to the IMF, of 5½ percent in 2011—quite a bit higher than the developed world. And in fact, many countries here are flourishing, including Kenya, Tunisia, South Africa, Nigeria, Morocco and Togo. But growth rates in other countries have lagged behind. Improving the quality of life for all African citizens should be our common goal.

How will we achieve this?

We need to build a sustainable business environment and a strong financial architecture. Financial infrastructure—in the form of high quality, recognized standards in auditing, ethics, public sector accounting and related regulation—is the only way that sustainable economic development is truly achievable in the emerging and developing worlds.

We also need to nourish small- and medium-sized entities—what we at IFAC consider to be engines for growth and employment, and vital to the sustainability of economic development. These businesses have a more difficult time obtaining capital and credit, have fewer resources, and can find it challenging to meet regulatory and compliance requirements in a cost-effective way.

We must consider their needs carefully—particularly with respect to the micro-entities that are a big part of most African economies—because without them the sustainability of Africa's economies would certainly be more fragile.

And this sustainable business environment, strong financial architecture, and consideration of SMEs need to be supported by a strong accountancy profession. And that is why we are here today.

So let me talk a little about these areas:

- The importance of international standards
- Some highlights of IFAC's current focus areas, including what we are doing to support SMPs and SMEs, and
- How professional accountancy organizations and regional organizations fit into the big picture.

As growth slows in the mature nations such as North America, the European Union and the Pacific Rim, emerging and developing economies are gaining increased attention from businesses and investors. But before investors—and lenders as well—will make funds available, they demand to know the facts about a business:

Do its accounts receivable represent a true picture of collections ahead?

Does “reported revenue” include only those sales made during a specified period?

Did the professionals providing assurance follow a strong code of ethics?

Using International Financial Reporting Standards, or IFRSs—globally accepted financial reporting standards developed by the International Accounting Standards Board—as well as international standards in auditing, ethics, and public sector accounting allow for transparency, consistency and quality in financial reporting and auditing.

But for investors and other interested parties, it does even more.

It provides an important level of credibility as they assess their alternatives and select their investments.

Let me give you a brief overview of the international standards issued by the independent standard-setting boards that IFAC supports, and what they can do to help this part of the world move further into the mainstream of global life.

Let's start with the International Standards on Auditing, the ISAs. They provide the standards by which the auditor examines a company's financial statements and judges whether they can be relied upon by investors, capital market participants, and policymakers with “reasonable assurance” that they are a true picture of the company's finances.

These standards are developed through a rigorous due process by the International Auditing and Assurance Standards Board, with input from national standard setters, IFAC member bodies and regional organizations, the general public, and many others.

The ISAs have been adopted by over 100 countries and most IFAC member bodies in Africa use them.

The ISAs also have the endorsement of IOSCO (the International Organizations of Securities Commissions) which has encouraged securities regulators to accept audits performed in accordance with the clarified ISAs as a step toward worldwide adoption of a set of high-quality auditing standards.

Along with the IFRSs, ISAs will help African countries ensure clear and transparent financial information is produced, and will facilitate the comparison of financial information from African countries, reinforce investors' confidence, attract investment and further support economic growth.

Next, there is an International Code of Ethics for Accountants, which stands as an assurance of the behavior of the accountant.

Developed by the International Ethics Standards Board for Accountants, the Code of Ethics sets out standards of integrity, objectivity, professional competence and due care, confidentiality of information, and professional behavior regarding compliance with relevant laws and regulations.

All 164 member bodies of IFAC must commit to adopt the Code for their members —whether in public practice, in business, education, or the public sector—and no member body or firm issuing reports in accordance with International Auditing and Assurance Standards is allowed to apply less stringent standards than those stated in the Code.

And, let me add, while independence is not an issue, the Code of Ethics covers not only auditors but also accountants in business and the public sector, who are held to the same high standards of integrity, professional competence, and professional behavior, just to name a few.

A new version of the Code of Ethics was published last year—clarifying requirements for all professional accountants and significantly strengthening the independence requirements of auditors, in order to increase the level of trust that investors demand in the wake of the global economic crisis.

Some of the same challenges that exist for disseminating accounting and auditing standards also exist in the area of ethics, but IFAC is working on new ways to communicate the importance of professional ethics.

We understand that the increase in trust and certainty that flow from familiarity with standards—including a common understanding of what it means to be independent when providing assurance services—will contribute immeasurably to a reduction in barriers to international capital flow and an increase in sustainable development in this part of the world.

Third, there are the International Public Sector Accounting Standards, the IPSASs, which are designed to be used in preparing general purpose financial statements of public sector entities, including national, regional, and local governments and their departments, agencies, ministries, and so on.

The International Public Sector Accounting Standards Board, the IPSASB, has developed guidelines for modifying International Financial Reporting Standards for application by public sector entities, and also addresses public sector financial reporting issues that have not been comprehensively or appropriately dealt with in existing standards, or where there is no related standard.

The use of the IPSASs is particularly important in Africa, where the public sector often supports large segments of the private sector.

But even in the developed world, it is critical for government bodies to have standards to deal with recognition, measurement, presentation and disclosure requirements. And, they are vital in providing transparency and accountability and to fighting corruption.

Over 65 countries are currently using or are in the process of adopting or incorporating the IPSASs. In addition, many other governments already use accrual accounting and apply standards that are broadly consistent with IPSAS requirements. This provides a level of transparency that enables investors to consider the financial stability of a country they plan to invest in.

All of these standards exist in order to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation—and emerging economies need them as much as Wall Street or the Tokyo Stock Exchange.

Perhaps they need them even more, because their businesses have so much to prove to foreign investors about their own viability and the stability of their monetary systems. Fast-growing SMEs that want to be listed on a foreign stock exchange, and need to prove themselves, can get a head start by implementing global standards in accounting and auditing.

And I'd like to stress: adoption is just one step. Implementation of the standards often represents an even bigger challenge, especially for small organizations with limited financial and human resources.

But when standards are adopted but not fully implemented, the adoption cannot be effective. Implementation must be supported by ongoing training, continuous professional development, and delivery of implementation guidance and tools.

An example of this implementation guidance is the IAASB's Clarity Modules, which include videos and slides to facilitate training and professional development efforts. The African professional accountancy bodies, regional institutions, PAFA, IFAC, and the donor community must work together to support the proper adoption and implementation of international standards so that they are truly effective and build confidence in African companies and economies.

So let's talk about how we all work together to support Africa's growth.

As I said earlier, many people and many different groups worked together to create PAFA. From the professional accountancy organizations, to the regional organization, to the donor community, to IFAC—we each have a role to play to build the profession, support governance, and advance growth in Africa.

Let me start with my perspective, from IFAC, and give you some highlights of our focus areas. First, our Professional Accountancy Organization Development Committee, or PAODC, which was formerly called the Developing Nations Committee.

As its name states, this committee supports the development of professional accountancy bodies—working to strengthen existing national and regional organizations and help establish ones where they do not exist. This is critical, because almost two-thirds of the 53 countries in Africa do not have an organized profession and are not represented in IFAC.

But importantly, the Committee also helps with accountancy capacity-building and skill development—in Africa and all over the world. It recently published a revised edition of a Good Practice Guide, *Establishing and Developing a Professional Accountancy Body*, to support professional accountancy organizations in areas including role and responsibilities, education and examinations, and capacity development.

The guide was developed in English, and will be translated into Arabic, French, Russian and Spanish later this year. The Committee also recognizes that accounting technicians are an important component of the profession in many emerging economies, particularly where there is strong demand for skilled individuals to contribute to the financial reporting and decision-making process, but individuals may not have the resources to qualify as professional accountants.

The Good Practice Guide: *The Education, Training and Development of Accounting Technicians*, raises awareness of the need for and role of accounting technicians, especially in developing nations.

In addition to these resources, the Committee also undertakes outreach activities to provide professional accounting organizations with guidance on their development and answer their technical questions. It also acts as an advocate and provides a bridge to third party organizations, partnering with organizations such as the World Bank and other donor agencies to increase the capacity of the accountancy profession in developing economies.

We have a long history of working with these organizations— and with the World Bank in particular, we have strengthened our cooperation and collaboration over the past couple of years.

Then we have IFAC's Compliance Advisory Panel, or CAP. This group works with IFAC members and associates to develop Action Plans.

These plans are basically strategic road maps to help the organizations become stronger and better, and make progress with respect to the IFAC's 7 Statements of Membership Obligations, which cover quality assurance; accountancy education; accounting, auditing, and ethics standards; and investigation and discipline.

The CAP works closely with these organizations to develop their Action Plans, further contributing to the improvement of accounting and auditing regulation in their country. The Compliance staff also works on a continuous basis with the World Bank, acting as a peer reviewer of Accounting and Auditing ROSC Reports, from initiating memorandums to final reports.

This year, the Compliance staff has reviewed about 8 ROSC reports, including 5 on Africa.

A third committee I want to talk about is the Small and Medium Practices, or SMP, Committee. This committee focuses on the needs of SMPs and their clients, small- and medium-sized entities—two groups of key interest here in Africa.

Indeed, around the world SMEs account for approximately two-thirds of private sector revenues and a similar percentage of employment. They create more new jobs than larger, more mature companies, and they are far more innovative in bringing new products to market and creating entirely new markets, especially in consumer goods and technology.

How does the SMP Committee support this sector?

First, it maintains The International Center for Small and Medium Practices on the IFAC website, which provides resources and facilitates the exchange of knowledge and best practices among SMPs. It also works to ensure the needs of the SMP sector are considered by standard setters, and speaks out on behalf of SMPs to raise awareness of their value and the importance of the small business sector overall.

Finally, it develops free guidance and tools, including the ISA Guide for Small and Medium Audits and the Quality Control Guide for SMPs—two very important implementation resources.

And, fourth is the Professional Accountants in Business, or PAIB, Committee.

There are more than one million professional accountants worldwide employed in commerce, industry, financial services, the public sector, education, and the not-for-profit sector. And this committee develops resources for them and helps exchange knowledge and best practices among them.

The committee also helps build global recognition of professional accountants as business leaders and strategic partners in building long-term sustainable value. The PAIB Committee is currently focused on governance and ethics, risk management and control, sustainability and corporate responsibility; financial management; and business reporting.

Finally, IFAC is the global voice of the accountancy profession, and we speak out on public interest issues where the profession's expertise is most relevant.

For example, we have submitted comments to the G20, urging them to encourage governments to adopt international auditing and accounting standards.

We have also submitted comments on the European Commission Green Paper and the IASB's Governance and Strategy Reviews.

While this is always an essential role for an international professional organization, it is particularly important at this time of significant financial reform as well as potential further regulation of auditors.

Those are just some of the areas that IFAC is currently focusing on that we want to make sure you're aware of.

Now let's turn to the regional organizations and accountancy groupings—including PAFA, ABWA, ECSAFA and FIDEF. These groups are an integral part of strengthening the region's economy and developing the profession. They develop coherent strategies and help ensure that national, regional, and international strategies are well coordinated and connected. They encourage convergence, conduct outreach to professional accountancy organizations and standard setters, and work with their members to help them adopt international standards. They provide tools and guidance to support implementation, provide train-the-trainers materials, and support members' ongoing training efforts.

They assist with the development of the IFAC Action Plans and help represent their members and their region by providing input and comments on exposure drafts and consultation papers—both to the standard-setting boards that IFAC supports, as well as to other organizations, such as the IASB. They bring economies of scale and provide a structure for members to share best practices.

In brief, they work hand-in-hand with IFAC and the professional accountancy organizations to help support high-quality, sustainable accounting and auditing professions—which, as we know, are an essential element of financial infrastructures and financial stability in both developed and developing economies.

This is especially important in Africa—particularly now. Why?

Of all regions of the world, the accountancy profession faces the biggest development challenges in Africa. Indeed, as I mentioned, nearly two-thirds of African countries do not have a PAO or have a PAO that is not an IFAC member. PAFA can play a critical role in nurturing and supporting existing PAOs and helping to establish new ones. It can partner with IFAC in representing the African continent as our relationships with the donor community become

stronger. And, as the African economies emerge, they become a more important component of the global financial system. A Pan-African federation gives Africa a voice and a greater profile in the global economic dialogue.

We are confident that PAFA will build on the good work that the African regional organizations and accountancy groupings have done in this area, while unifying the entire continent and helping to ensure more even and consistent development and progress.

I hope this has given you a good idea of the importance of international standards, where IFAC is currently focusing, and how PAFA, its professional accountancy organization members, and the other regional organizations in Africa can work together.

All of these groups—the national bodies, the regional bodies, and IFAC, along with the donor community—need to work together if we are to be successful. These partnerships will support the development of the profession in Africa and, therefore, will contribute to the empowerment of the continent as a whole.

Thank you.

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