

**2012 SIXTH ANNUAL
GLOBAL LEADERSHIP SURVEY**
February 2013



The mission of the International Federation of Accountants (IFAC) is to serve the public interest by: contributing to the development of high-quality standards and guidance; facilitating the adoption and implementation of high-quality standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms and to high-quality practices by professional accountants, and promoting the value of professional accountants worldwide; and speaking out on public interest issues.

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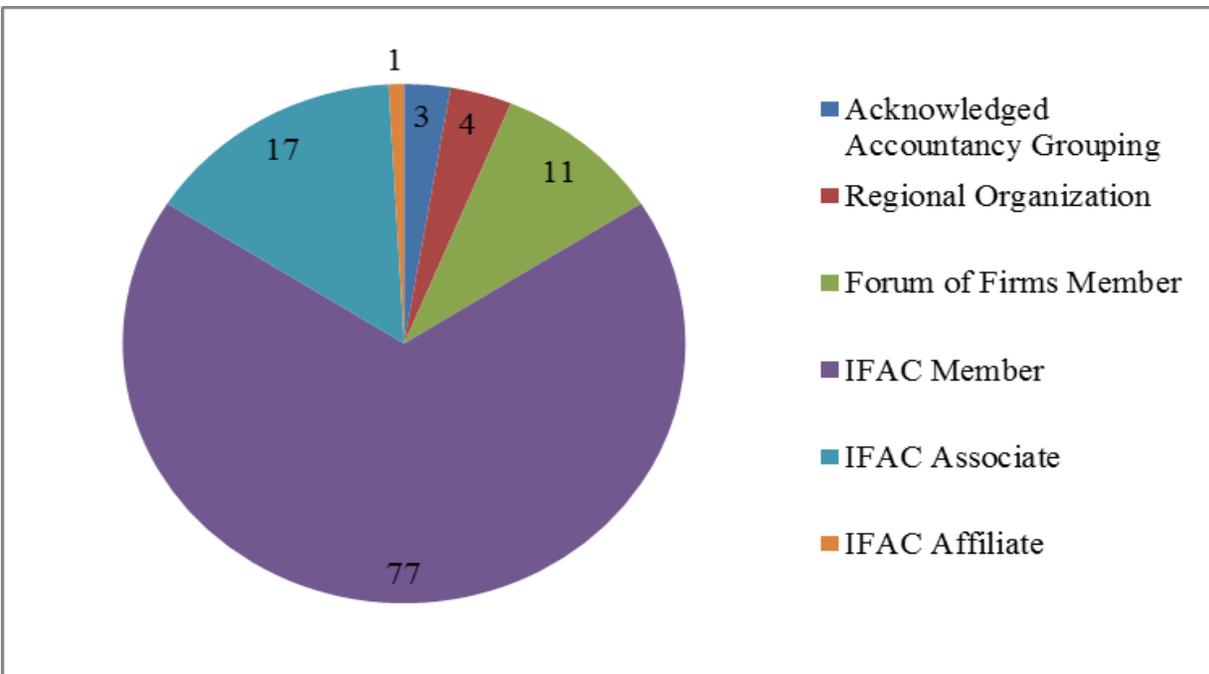
Introduction

The International Federation of Accountants (IFAC) completed its sixth annual survey of the global accountancy profession in late 2012.

IFAC asked respondents' opinions about perceptions of the profession and the most significant issues facing global accountancy in 2013. In addition, in a period of limited resources and high demand, the survey sought stakeholders' views on which of IFAC's services and the outcomes IFAC seeks to influence are of primary importance, and for input into the strategic plan.

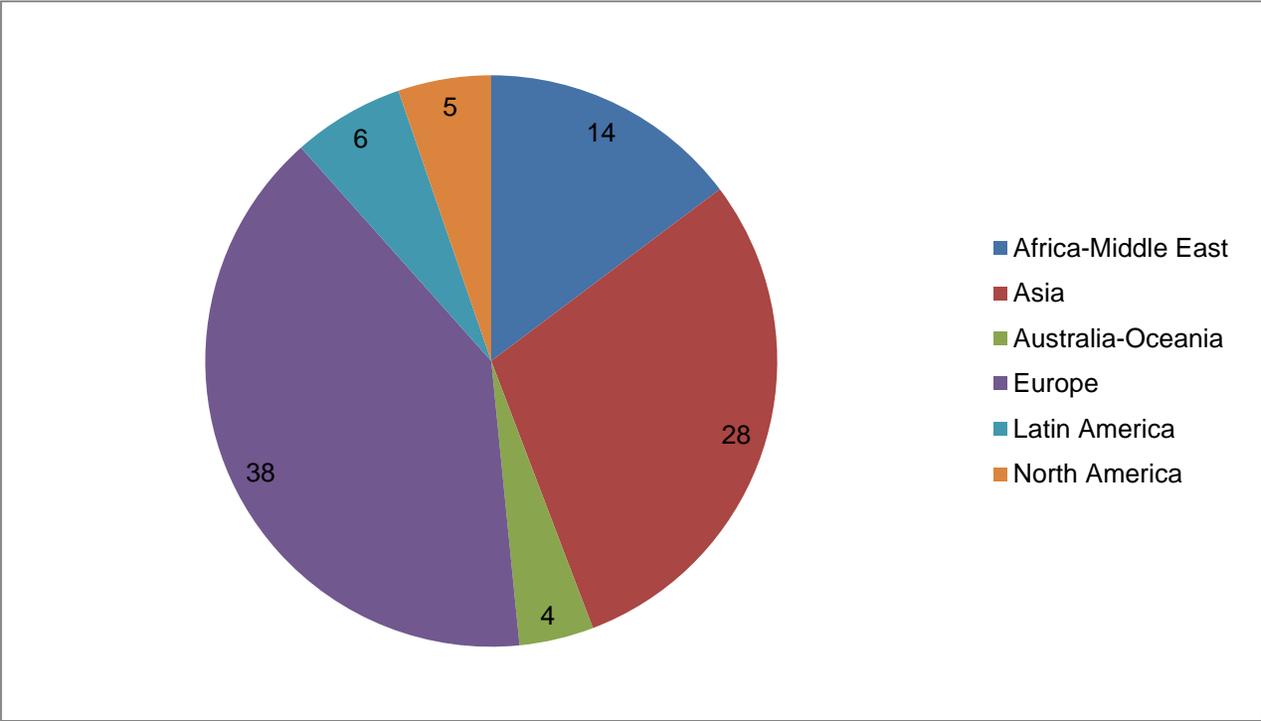
The survey results include data from 113 respondents who took the survey from October 10, 2012 to December 10, 2012. This year, IFAC requested one response per organization (in previous years, two responses were permitted). In addition, Forum of Firms (FoF) members were invited to respond this year, along with members, associates, affiliates, regional organizations (ROs), and acknowledged accountancy groupings (AAGs). Given these changes, the results are not directly comparable to the 2011 results; however, where appropriate, a brief discussion of the 2011 results is included in the summary of results.

Total Respondents (113 total)



The breakdown of responses by geographic region¹ for members, associates, and affiliates shows that over one-third (38) of responses were from Europe, over a quarter (28) from Asia, and just over 10% (14) from Latin America. The number of responses from Europe should be kept in mind when interpreting specific results, such as those questions that include “Issues related to the EU draft legislation” as an option.

Member Respondents by Region



Excludes respondents from AAGs, ROs, and the FoF

Finally, a separate analysis was performed for the following sub-groups:

- members, associates, and affiliates from countries within the G-20 (29)
- members, associates, and affiliates from developed countries (44) and developing (51) countries²

Where these results differed notably from the overall results, they are included in the summary of results.

¹ Based on the regions used by the IFAC Nominating Committee

² Based on World Trade Organization classifications

Major Themes Voiced By Respondents

Credibility of the Profession and Current Events Continue to be Focus Areas

Similar to last year, respondents continue to indicate that IFAC should seek to maintain and improve the public's perceived views of the accountancy profession; reputation and credibility of the global profession was ranked as one of the most significant issues in 2013, and as the #1 public policy area in which IFAC should take a position and speak out on in 2013.

In addition, the volatile environment remains front-of-mind, from the difficult global financial climate and public sector financial management and sovereign debt issues, to issues related to the European Union (EU) draft legislation. Public sector financial management and sovereign debt issues and auditor independence (potentially related to EU draft legislation) were also cited as two of the top public policy areas that IFAC should take a position in and speak out on in 2013.

Global Regulatory Convergence Still in the Spotlight

Respondents' highest priorities continue to be: increasing the confidence in international standards, increasing their adoption, enhancing their implementation, and new standards and revision of existing standards. Indeed, contributing to the development of high-quality international standards was one of the areas where respondents said they receive greatest value from being an IFAC member or key stakeholder. Global regulatory convergence was cited as one of the top public policy areas that IFAC should take a position in and speak out on in 2013.

Speaking Out, SMPs, and Strong PAOs Also Key Issues

Public policy and regulation and the needs of small and medium practices (SMPs) were highly ranked as key issues and/or high priority areas for IFAC in several questions, and the needs of SMPs and Small and Medium Entities (SMEs) was cited as one of the top public policy areas that IFAC should take a position in and speak out on in 2013.

In addition, strong Professional Accountancy Organizations (PAOs) was ranked as one of the most important of IFAC's strategic plan outcomes. Similarly, receiving advice and guidance regarding developing the profession and being part of the global voice of the profession were two of the areas where respondents said they receive greatest value from being an IFAC member or key stakeholder.

Regions Have Very Different Priorities

As referenced above, over one-third of respondents were European, so they heavily influenced overall results. Other regional segments were quite small; as a result, caution should be used in interpreting these results.

Similar to last year, the average perception of the accountancy profession was higher in Australia-Oceania and North America, and slightly lower in Europe. While much of the world gave high priority to *High-quality services by accounting firms and practitioners*, Australia-Oceania and North America favored *Effective implementation and enforcement of international standards*. Australia-Oceania, Europe, and North America indicated that IFAC should allocate more of its resources to *Standards and Guidance*; Africa-Middle East allocated more to *Adoption and Implementation*; Asia allocated more to *Development and Quality*; and, Australia-Oceania and Latin America and Caribbean allocated more to *Speaking Out*.

Summary of Survey Findings

What do you think will be the most significant issues facing the global accountancy profession in 2013? Please choose your top 5 concerns and rank them 1 to 5, with 1 being your biggest concern.

Of the 22 issues presented, those chosen most often as a top 5 concern were:

- *Needs of SMPs and SMEs* (61);
- *Reputation and credibility of the profession* (52);
- *Issues related to the EU draft legislation* (47);
- *Public sector financial management and sovereign debt issues* (43); and
- *The difficult global financial climate* (38).

The two issues chosen most often as the top concern were:

- *Issues related to the EU draft legislation* (20, of which 10 members/associates/affiliates, 2 FoF members, and 1 RO self-classified as European); and
- *Reputation and credibility of the profession* (19).

There were no significant differences between the overall results and the results for the sub-groups. However, Australia-Oceania included *Corporate governance* and the *Changing role of professional accountancy organizations* among their top issues; Latin America and the Caribbean included *Integrated reporting and sustainability*; and North America included *Increased regulation*.

These results are comparable to last year's survey, when the issues chosen most as top 5 concerns were:

- *Reputation and credibility of the profession*;
- *Needs of SMPs and SMEs*;
- *The difficult global financial climate*;
- *Issues related to the EU draft legislation*; and
- *Public sector financial management and sovereign debt issues*.

On a scale of 1 (very poor) to 10 (very good), how would you rank the perception of the accountancy profession in your country/jurisdiction?

The overall average perception of the accountancy profession was at the middle to high end of the scale at 7.14. This compares to an overall rating last year of 7.0.

The average perception was higher from the G-20 countries, at 7.44. Similarly, respondents from developed countries averaged 7.55, while those from developing countries averaged 7.04. In addition, the average perception was higher in Australia-Oceania (8.5) and North America (8.6), and slightly lower in Europe (7.08).

Which standards do you consider to be the most important for global adoption, implementation and enforcement? Please rank the following in order of importance from 1 (most important) to 5 (least important).

The largest number of respondents (59) said that the International Financial Reporting Standards (IFRSs) are the most important standards for global adoption, implementation and enforcement. This was followed by:

- International Standards on Auditing (ISAs) (20);
- IESBA Code of Ethics for Professional Accountants (Code of Ethics) (18);
- International Education Standards (IESs) (11); and
- International Public Sector Accounting Standards (IPSASs) (5).

When analyzed in terms of a weighted score (a calculation that looks at the number of times a set of standards was chosen multiplied by its ranking) the order remains similar, with IESs and IPSASs changing places at the end of the list of five. These results were substantially the same last year. The results were similar for each of the sub-groups, with two interesting observations:

- respondents from G-20 countries ranked the Code of Ethics slightly higher; it tied for second with ISAs (in terms of number of times chosen as most important as well as weighted score); and
- respondents from developing countries ranked the Code of Ethics second, followed by the ISAs; IESs came in fourth, and IPSASs were last.

On a regional basis, Africa-Middle East and Latin American & Caribbean ranked the Code of Ethics above ISAs; Australia-Oceania had the Code of Ethics and ISAs tied for second place. Australia-Oceania, Europe, and North America ranked IESs last, after IPSASs.

How do you believe IFAC should allocate its resources (both human and financial) to its 4 main service areas? Please indicate a percentage of resources that you feel IFAC should allocate to each; the total should equal 100%.

Overall, respondents continued to feel that IFAC's top priority should be *Standards and Guidance*, with the largest proportion of resources (almost one-third, or 32.0%) allocated to it. However, the other three service areas continued to be seen as fairly important, with human/financial resource allocations ranging from approximately one-fifth to one-quarter: just over one quarter (26.2%) allocated to *Adoption and Implementation*, just less than one quarter (23.7%) to *Development and Quality*, and 18.2% to *Speaking Out*. Thus, respondents seem to see value in all four IFAC service areas.

Respondents from G-20 countries also indicated that nearly 60% of resources should be devoted collectively to the two areas; however, they indicated a greater preference for resources to be devoted to *Standards and Guidance* (37.2%) relative to *Adoption and Implementation* (21.6%). They also indicated a slightly higher preference for resources to be allocated to *Speaking Out* (19.4%). Similarly, respondents from developed countries allocated more resources to *Standards and Guidance*, while those from developing countries allocated more to *Quality and Development*.

On a regional basis, compared to the overall results, Australia-Oceania, Europe, and North America indicated that IFAC should allocate more of its resources to *Standards and Guidance*; Africa-Middle East allocated more to *Adoption and Implementation*; Asia allocated more to *Development and Quality*; and, Australia-Oceania and Latin America and Caribbean allocated more to *Speaking Out*.

This is substantially the same as the allocations indicated last year, which was the first year we asked this question. They are also comparable to results from the previous year's survey, where responses to a number of questions demonstrated that the standards, guidelines, and other pronouncements published under IFAC's auspices are highly valued and that respondents wished IFAC to continue in this core role. Responses that year also indicated that adoption of and compliance with these standards can be highly challenging and IFAC needs to help with interpretation and effective implementation.

IFAC's 2013 Operational Plan states that the allocation of total expenses across the four service areas is budgeted to be: 63% for Standards and Guidance, 6% for Adoption and Implementation, 18% for Quality and Development, and 13% for Speaking Out; these figures were substantially the same in the previous two years' Operational Plans. There is a close linkage between Standards and Guidance and Adoption and Implementation, and, combined, IFAC is investing in these two areas in line with member expectations; however, it is clear that respondents believe that additional emphasis on Adoption and Implementation is appropriate.

With respect to international standards, what do you consider to be the highest priority issues for IFAC during 2013, keeping in mind the organization's limited resources? Please rank 1 (most important) to 7 (least important).

When analyzed in terms of a weighted score, three issues were ranked significantly higher than the other items:

- *Increasing the confidence in international standards;*
- *Enhancing implementation of international standards; and*
- *Increasing adoption of international standards.*

Oversight arrangements for IPSASB was ranked as the least important issue; it was chosen as most important the least number of times (2), was ranked least important the most number of times (51), and received the lowest weighted score.

There were no discernible differences between the results for the sub-groups.

These results are substantially the same as last year.

Please rank the following IFAC activity areas from 1 to 11, where 1 is the highest priority activity area for 2013, and 11 is the lowest priority activity area for 2013.

When analyzed in terms of a weighted score, the activities perceived as highest priority were:

- *Auditing and assurance standards;*
- *Ethics standards;*
- *Adoption and implementation (including translations); and,*
- *Small and medium practices*

While not included in the top 4 weighted average results, two areas were frequently chosen as high-priority activities: *Public policy and regulation* was chosen frequently (14) as the highest priority activity (it was also chosen as one of the top 4 by respondents from the G-20 and those from developed countries) and *Public sector accounting standards* was chosen frequently (11) as the second highest priority. Perhaps this is due to the fact that IFAC member bodies are often not directly involved in public sector

standards, but still see public sector reporting as an important issue; or, it may be that respondents feel that public sector standards are important, but that oversight arrangements for IPSASB are not important.

Respondents from developing countries elevated *Ethics standards over Auditing and Assurance standards*, and included *PAO Development* in their top priorities.

On a regional basis, compared to the overall results, Africa-Middle East ranked *Compliance* higher; Asia ranked *Education standards* higher, and Australia-Oceania ranked *Integrated Reporting/IIRC* higher.

IFAC's Strategic Plan lists 8 outcomes that IFAC seeks to influence or have an impact on through its services. Keeping in mind the organization's limited resources, please rank the following outcomes from 1 (highest priority) to 8 (lowest priority).

The question used the eight outcomes in the 2011-2014 Strategic Plan (these outcomes have been revised for the 2013-2016 Strategic Plan).

Respondents considered the following to be of highest priority:

- *Confidence in international standards;*
- *Adoption of high-quality international standards; and*
- *Strong PAOs.*

The same three outcomes were chosen as the highest priorities in last year's survey.

Respondents from developed countries gave higher priority to *High-quality financial management and reporting*. Those from developing countries gave higher priority to *High-quality services by accounting firms and practitioners*.

On a regional basis, compared to the overall results, Africa-Middle East, Asia, Europe, and Latin America and Caribbean ranked *High-quality services by accounting firms and practitioners* higher; Asia also ranked *Effective implementation and enforcement of international standards* higher, as did Australia-Oceania and North America.

Of the public policy areas listed below, which ones do you believe IFAC should take a position in and speak out on in 2013? Keeping in mind the organization's limited resources, please choose the 5 areas that you believe are highest priority, and rank them 1 to 5, with 1 being your highest priority.

Issues chosen most often as a top 5 area were:

- *Reputation and credibility of the profession (58);*
- *Needs of SMPs and SMEs (58);*
- *Public sector financial management and sovereign debt issues (42);*
- *Auditor independence (37); and*
- *Global regulatory convergence (37).*

In addition, *The difficult global financial climate* was chosen frequently (11) as the highest priority area.

These results are substantially the same as last year, when the areas chosen most often as top 5 were:

- *Reputation and credibility of the profession;*
- *Needs of SMPs and SMEs;*

- *Public sector financial management and sovereign debt issues;*
- *The difficult global financial climate; and,*
- *Auditor independence.*

While these areas were generally among the highest priorities for each of the sub-groups, there were some interesting differences:

- Respondents from G-20 countries had a tie for the third position in the top 5: *Integrated reporting and sustainability, Global regulatory convergence, and Needs of SMPs and SMEs.*
- Respondents from developing countries gave higher priority to the *Changing role of PAOs.*

In addition, Africa-Middle East cited *Competency of financial statement preparers*; Asia cited the *Changing role of PAOs*; Australia-Oceania and Latin America and Caribbean cited *Corporate governance*, while Latin America and Caribbean also cited the *Role of PAIBs*; and North America cited *Audit firm rotation* and *Integrated reporting and sustainability*.

In which areas do you receive the greatest value from being a member or key stakeholder in IFAC? Please rank the following from 1 (highest value) to 7 (lowest value).

Overall, respondents indicated that they receive the greatest value as a member or key stakeholder in IFAC by:

- *Receiving advice and guidance regarding developing the profession in your jurisdiction (27);*
- *Being part of the global voice of the profession (26); and*
- *Contributing to the development of high-quality international standards (25).*

However, the results were quite different by developing/developed countries: respondents from developing countries overwhelmingly indicated the first two areas, while respondents from developed countries and from the G-20 showed a distinct preference for the last of the three areas.

Similarly, the results were different by region, with the following regions indicated these as their top choice:

- Africa-Middle East, Europe: *Being part of the global voice of the profession*
- Asia, Latin America and Caribbean: *Receiving advice and guidance regarding developing the profession in your jurisdiction*
- Australia-Oceania: *Contributing to the global agenda*
- North America: *Contributing to the development of high-quality international standards*

Questions Asked on Behalf of the IIRC

To what extent do you think the following groups will benefit from Integrated Reporting? Please rank each on a scale of 1-5, where “1 = not much” and “5 = very much”.

Investors	2.91
Reporting Companies	2.38
Regulators	2.06
Society at Large	2.20

Do you agree that integrated reporting represents an opportunity for the accountancy profession to take a leadership role in the evolution of corporate reporting globally?

<u>Yes</u>	<u>No</u>
108	5

As corporate reporting, including integrated reporting, evolves in the coming years, do you support a broadly market-led approach to this evolution or would you prefer the process to be led by regulators and standard setters?

<u>Market</u>	<u>Regulator</u>
69	44

IFAC Global Leadership Survey Participants

The International Federation of Accountants (IFAC) received 113 responses to the Sixth Annual Global Leadership Survey. A total of 77 member bodies, 17 associates, and 1 affiliate in 72 countries and jurisdictions, as well as 4 regional organizations, 3 acknowledged accountancy groupings, and 11 members of the Forum of Firms, responded to the survey.

IFAC Members

American Institute of Certified Public Accountants
Association of Accountants and Auditors of Republic of Srpska
Association of Chartered Certified Accountants
Bahamas Institute of Chartered Accountants
Canadian Institute of Chartered Accountants
Certified General Accountants Association of Canada
Certified Management Accountants of Canada
Chamber of Auditors of Azerbaijan Republic
Chamber of Auditors of the Czech Republic
Chamber of Financial Auditors of Romania
Chamber of Hungarian Auditors
Chartered Institute of Management Accountants
Chartered Institute of Public Finance and Accountancy
Chinese Institute of Certified Public Accountants
Colegio de Contadores Públicos de Nicaragua
Colegio de Contadores, Economistas y Administradores del Uruguay
Compagnie Nationale des Commissaires aux Comptes
Conseil Supérieur de l'Ordre des Experts-Comptables
Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili
Corpul Expertilor Contabili si Contabililor Autorizati din Romania (CECCAR)
CPA Australia
Croatian Association of Accountants and Financial Experts
Den Norske Revisorforening (DnR)
Expert Accountants' Association of Turkey
FAR
Federation of CPA Associations of Chinese Taiwan
Félag Löggiltra Endurskodenda

Fiji Institute of Accountants
Georgian Federation of Professional Accountants and Auditors
Hong Kong Institute of Certified Public Accountants
Indonesian Institute of Accountants (IAI)
Institute of Certified Public Accountants in Ireland
Institute of Certified Public Accountants of Cyprus
Institute of Certified Public Accountants of Greece
Institute of Certified Public Accountants of Uganda
Institute of Chartered Accountants in Australia
Institute of Chartered Accountants in England & Wales
Institute of Chartered Accountants of Jamaica
Institute of Chartered Accountants of Nepal
Institute of Chartered Accountants of Nigeria
Institute of Chartered Accountants of Sierra Leone
Institute of Chartered Accountants of Sri Lanka
Institute of Cost Accountants of India
Institute of Cost and Management Accountants of Pakistan
Institute of CPAs in Israel
Institute of Financial Accountants
Instituto de Censores Jurados de Cuentas de España
Iranian Association of Certified Public Accountants
Iranian Institute of Certified Accountants
Iraqi Union of Accountants and Auditors
Jordanian Association of Certified Public Accountants
Korean Institute of Certified Public Accountants
Liberian Institute of Certified Public Accountants
Lithuanian Chamber of Auditors
Malaysian Institute of Accountants
Malaysian Institute of Certified Public Accountants
Malta Institute of Accountants
National Board of Accountants and Auditors
National Chamber of Statutory Auditors
Ordem dos Revisores Oficiais de Contas (OROC)

Ordre des Experts Comptables de Tunisie
Ordre des Experts Comptables et Financiers de Madagascar
Philippine Institute of Certified Public Accountants
Royal NIVRA
Russian Collegium of Auditors
Saudi Organization for Certified Public Accountants
Serbian Association of Accountants and Auditors
Slovenian Institute of Auditors
Slovenska Komora Auditorov (Slovak Chamber of Auditors)
Society of Certified Accountants and Auditors of Kosovo
South African Institute of Chartered Accountants
South African Institute of Professional Accountants
The Institute of Chartered Accountants of India
Ukrainian Federation of Professional Accountants and Auditors
Union of Accountants of the Czech Republic
Union of Chambers of Certified Public Accountants of Turkey
Vietnam Accounting Association

IFAC Associates

Accounting Technicians Ireland
Association of Accountants and Auditors of Armenia
Association of Accounting Technicians (AAT)
Brunei Darussalam Institute of Certified Public Accountants
Cayman Islands Society of Professional Accountants
Certified Practising Accountants Papua New Guinea
Croatian Audit Chamber
Institute of Certified Accountants of Montenegro
Institute of Certified Auditors of the Republic of Macedonia
Institute of Certified Management Accountants of Sri Lanka
Instituto Salvadoreño de Contadores Públicos
Mauritius Institute of Professional Accountants
Mongolian Institute of Certified Public Accountants (MonICPA)
National Association of Accountants and Auditors of Uzbekistan
Pakistan Institute of Public Finance Accountants

The Audit Chamber of Russia

The Chamber of Professional Accountants of the Republic of Kazakhstan

Forum of Firms

AUREN INTERNATIONAL (Associate)

Members

Baker Tilly International Limited

Deloitte Touche Tohmatsu Limited

Grant Thornton International Ltd

JHI

Kreston International

Kudos International (Associate)

Nexia International

RSM International Limited

SMS Latinoamérica

Talal Abu Ghazaleh & Co. International

Regional

Confederation of Asian and Pacific Accountants

Organizations

Fédération des Experts Comptables Européens (FEE)

Interamerican Accounting Association (IAA)

Pan African Federation of Accountants

Acknowledged

Eurasian Council of Certified Accountants and Auditors

Accountancy

Fédération Internationale des Experts Comptables Francophones

Groupings

Institute of Chartered Accountants of the Caribbean

IFAC Affiliate

National Association of State Boards of Accountancy



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