

# A PROFESSION RELEVANT TO ACCOUNTANTS IN BUSINESS



## CONTENTS:

Message from the Chair	1
Enhancing Audit Quality from a PAIB Perspective	3
Integrating Risk into Decision Making	5
Trends Impacting the Finance Function: A Focus on Technology	10
Creating and Communicating Value Creation through Integrated Reporting	14
The Accountancy Profession's Contribution to the UN Sustainable Development Goals	18

## Report of the September 2016 PAIB Committee Meeting and Actions for PAOs

### Message from Charles Tilley, PAIB Committee Chair

The Professional Accountants in Business (PAIB) Committee has made a fundamental change to how we conduct our meetings, as you can see from the images in this report and [our March meeting](#).

Gone is the static boardroom-style meeting. In its place are dynamic sessions involving small group discussions and interactive exercises to solicit the knowledge, experiences, and input of all our members and technical advisors from around the world. We utilize this group of business and finance leaders to inform IFAC and the profession on the opportunities and challenges facing business and the public sector, and the consequences for finance and finance professionals.

This new approach is designed to:

- > create effective connections between IFAC and professional accountancy organizations (PAOs) to enhance the relevance to professional accountants in business;
- > build the capacity of IFAC and the wider PAIB community to respond to emerging issues affecting them; and
- > deliver greater value to the meeting participants.

Our new creative and innovative approach to meetings enables crowd-sourcing knowledge, ideas, and experiences for IFAC and the profession. Knowledge sharing by committee members on practices in the organizations they work for provides invaluable feedback and insights on emerging themes and trends.

I am pleased to share these experiences and the discussions with the global profession. The insights from the IFAC PAIB Committee will hopefully provide your PAO ideas for its priorities and initiatives related to PAIBs.

At our September meeting, a number of the topics discussed provided “wake up calls” regarding the future roles of the PAIB. This change is primarily driven by technology, including its impact on data, robotics, globalization, complexity, and uncertainty. Understanding and addressing this change is of critical importance to the profession if it is to remain relevant in the future.

The automation of many roles has considerable impact on the future skills and tools PAIBs require. It is critical that PAOs are alive to this change to ensure the education and support they provide to PAIBs maintains their relevance throughout their careers. In summary, the finance functions of organizations are increasingly being required to deliver greater value to the business at reducing cost.

The report of our September meeting covers these issues, and the related issues of risk, integrated reporting and thinking, and the Sustainable Development Goals (SDGs). It also addresses the value of the audit, and how the PAIB can contribute to its quality including through their “skepticism”.

I hope you find this report valuable. Your comments on our work program and outputs are always welcome.

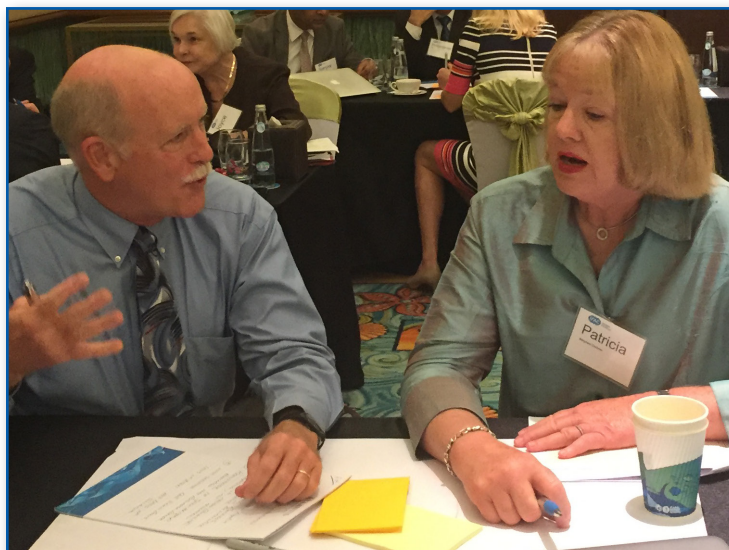
Finally, I want to again thank the Institute of Chartered Accountants of Pakistan (ICAP) for hosting the PAIB Committee meeting and organizing its CFO Conference to coincide with our meeting, allowing many committee members to participate. The conference had 800 participants, many from ICAP’s UAE chapter—it was a great success.

Charles Tilley  
Chair

IFAC Professional Accountants in Business Committee

### Summary of Topics Discussed

- > Enhancing audit quality through developments in corporate governance, and in the context of the perspectives and needs of audit committees, finance leaders and finance functions, and internal audit, is critical. It is important for standard setters and regulators to continue to receive input from business and other areas of the profession on proposals in relation to audit quality, and related issues, such as professional skepticism.
- > Managing uncertainty is a key capability in a world of digital disruption and rapid technological advances, sustainable development challenges, globalization, short-term product life-cycle, and hyper competition. Within this new reality, accountants have to be able to manage opportunity and risk to support business objectives.
- > Although considered as distinct topics, there is a strong interconnectivity of trends and emerging opportunities and challenges for PAIBs covering integrated thinking and reporting, technology and digital capability, the future of work and organizational practices, and finance function transformation.
- > Finance leaders as strategists and business partners needs to be promoted and understood by others. Finance functions are expected to provide greater value at the same or lower cost, and accountants in business require a strong commercial focus to deliver greater relevance to an organization. Transformational change in the application of technology is enabling business model as well as finance function transformation.
- > Integrated reporting presents an opportunity to increase the CFO/finance function positioning within an organization, but also serves up challenges, such as securing the buy-in of others, and stepping into the unknown, such as in terms of measuring intangibles. These need to be better understood in order to be overcome.
- > The contribution of business and accountancy to achieving the UN Sustainable Development Goals (SDGs) is critical. The role of PAOs in mainstreaming, implementing, and monitoring the Goals needs further exploration and consideration. The new publication, [\*The 2030 Agenda for Sustainable Development: A Snapshot of the Accountancy Profession's Contribution\*](#), provides a platform for these discussions within and beyond the profession.



## Enhancing Audit Quality from a PAIB Perspective

### Objectives:

1. Identify the main issues to enhancing audit quality from a PAIB perspective.
2. Conduct a knowledge exchange on developments in audit quality, and PAIB and auditor engagement, from a PAIB perspective.

The committee resumed its discussions on enhancing audit quality looking at those developments in which PAIBs can influence audit quality, for example in their roles on boards and management, and as finance leaders and in finance functions.

Although audit quality is the primary responsibility of the auditor it cannot be their sole responsibility. This was a key point in the [PAIB Committee response](#) to the International Auditing and Assurance Standards Board (IAASB)'s [Invitation to Comment, Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits](#). The IAASB Invitation to Comment highlighted potential standard-setting activities that could enhance audit quality. Achieving a quality audit is, in reality, a shared responsibility with those charged with governance and executive management, and dependent on the senior finance leader and finance function as well as internal audit.

Protecting the public interest is a key responsibility of audit committees. Audit committees are dependent on the contribution of the senior finance leader (e.g., CFO) as well as the auditor. Audit quality indicators (AQIs) are being developed as a way of informing audit committees and others about those factors that may contribute to the quality of an audit. Although the development of AQIs might provide audit committees with a more tangible way of evaluating audit quality at the auditor engagement level, their scope is generally limited to the performance of the audit firm. Furthermore, the committee felt that the jury is still out on the extent to which AQIs provide audit committees with a means to make a realistic assessment on audit quality.

The committee also reflected on some of the challenges in the financial reporting supply chain.

- > Effective internal communication and information flows between audit committee, the internal auditor, the senior finance leader, and finance function are a key challenge in supporting high quality financial reporting and the subsequent audit. Little guidance exists around the effective engagement and flow of information between audit committee, senior finance leader, and chief audit executive (CAE). The relationship between the audit committee and the CAE and senior finance leader is critical to the audit committee's successful functioning. Furthermore, the division of roles and responsibility between CAE and senior finance leader can cause challenges, particularly if the CAE reports to the finance leader.
- > Poor coordination between auditor, audit committee, and internal auditor often leads to duplicated effort, increased cost, and poor effectiveness. Furthermore, there is a need for greater clarity on the governing board's respective roles (and supervisory board where one exists), the audit committee, auditor, and internal audit.
- > PAIB's application of professional skepticism, particularly in the context of financial statement preparation, makes the work of the auditor easier, and is an important part of enhancing audit quality. Therefore, the committee believes that professional skepticism is a key part of professionalism, and is equally applicable to PAIBs.

### ***Audit committees are under increasing pressure***

In many instances, audit committees' oversight role extends beyond financial statements to related information, such as management commentary and corporate governance disclosures. The scope of work undertaken by audit committees is increasing, and with this associated concerns that they do not lose focus of their core oversight role in relation to financial reporting. Committee members report that audit committees are typically spending as much time on regulatory compliance as they do on financial statements. Additionally, new issues require their attention, such as IT risk and cybersecurity, as well as an increasing expectation to establish effective risk management and internal control over all relevant reporting processes and systems, thereby expanding oversight into the wider range of data and issues.

While audit committees are a long established part of the corporate governance landscape, judging their effectiveness is difficult because of the lack of transparency on their work. Audit committee transparency is an area of increasing regulatory and investor attention with the aim of giving investors the necessary information to assess the independence and effectiveness of the audit committee and its relationship with the external auditor. Audit committee transparency is increasing in a number of jurisdictions but the usefulness of audit committee disclosures varies widely. For example, disclosures can often be a high-level summary of audit committee responsibilities rather than a meaningful narrative on the key topics that the audit committee focused on.

As discussions on audit quality progress, the committee believes it is important for standard setters and regulators to continue to receive input from business and other areas of the profession. The PAIB and business perception of the audit can be quite distinct from the perception of investors and regulators, and indeed can be quite different from that of auditors. The nature of the PAIB Committee discussion so far has yielded some interesting observations and findings, which will be communicated within and beyond the profession.

#### **Actions for PAOs**

- > Please provide IFAC with information on available resources from your PAO targeted to boards and management on assessing audit quality, including the role of the external auditor and finance function. The PAIB Committee will review an analysis of these materials at its next meeting in March 2017 to assess the need for additional international guidance.
- > The [Institute of Internal Auditors](#) (IIA) and IFAC are considering a joint project clarifying the various roles and responsibilities for implementing and maintaining effective lines of defense in an organization. Clarity on those roles and how they relate to each other will strengthen governance, avoid confusion, prevent overlap or gaps, and ensure that resources are applied most effectively. A small working group will be formed to further explore the issues and define research questions. PAOs interested in the project are invited to contact Vincent Tophoff ([vincenttophoff@ifac.org](mailto:vincenttophoff@ifac.org)).

## Integrating Risk into Decision Making

### Objectives:

1. Build a common understanding of best practices in governance and risk management and enhanced role of PAIBs.
2. Agree on a collective vision for PAIBs and effective risk management.

### COSO's Enterprise Risk Management Framework

The Committee finalized its response to [COSO's Exposure Draft of its revised Enterprise Risk Management Framework](#). The final [comment letter](#) highlighted a number of major points, including:

- > The ERM Framework does not yet sufficiently live up to its executive summary and is misaligned with the framework itself, which committee members highlighted through examples. The Framework itself was considered to be conceptual rather than practical, and in the language of risk rather than in the language of business and strategy.
- > The framework needs to place business strategy at the forefront and demonstrate how organizations integrate the management of risk into their existing "culture, capabilities, and practices." The various elements of the ERM Framework will fall into place following this.
- > Such an approach will also correspond with the main objective of an organization, which is not to effectively manage risk or to have effective controls but to ensure that it makes the best decisions and achieves its strategic objectives.

### PAIBs as Risk Management Leaders

After the March 2016 meeting, a sub-group of members explored how to reposition PAIBs within risk management. The sub-group identified two connected challenges explored at the September meeting:

- > PAIBs do not always have the confidence for greater influence around risk management.
- > PAIBs are not always well-positioned as leaders of risk in business.

The risk management sub-group leader kicked off the meeting session by sharing a personal story. He explained that he was responsible for building specific risk management capacity within his finance team and had found that the competencies of some his finance professionals were lacking.

Consequently, he identified a specialized financial risk management certification accreditation for the finance team. While, as a professional accountant, he wanted to believe his team already had these skills as part of their training, he felt he had no choice as the responsibility for successful risk management within this part of the organization ultimately fell to him.

## Root cause analysis



To test assumptions around whether and why some PAIBs are poorly positioned in risk management, the committee performed a root cause analysis exercise. Three themes emerged.

- > The world has become more complex and PAIBs are not always fully equipped to deal with this new reality.

Managing uncertainty around organizational key objectives has become a key capability in a world of digital disruption

and rapid technological advances, sustainable development challenges, globalization, short-term product life-cycle, and hyper competition. Within this new reality, PAIBs have to comfortably manage opportunity and risk to support specific business objectives.

- > Accountancy education and training is inadequate in risk management.

The focus on risk management in accountancy education and training is frequently inadequate; many professional accounting qualifications do not have risk management explicitly embedded. Gaining the skills to make risk management an integral part of all PAIB activities requires more in-depth training and education, sometimes outside of accountancy education. For example, one PAIB Committee Member used the Global Association of Risk Professionals as an accredited certification.

- > Organizational barriers contribute to the challenges.

The expectations of other parts of an organization also impact the role of finance. For example, in some organizations the perception of finance staff is that they only manage specialized finance related risk. Senior management may question whether finance can contribute to the strategic agenda given cost and competency constraints.

### **Scenarios for the future of PAIBs in risk management**

Committee members reflected on two scenarios for the future of PAIBs in risk management focusing on primary concerns, what energized them, and what stood out to them overall about each scenario.



#### Scenario 1: A wake-up call

- > Role of PAIBs becomes increasingly focused and specialized on the core finance areas of reporting, controls, governance, and compliance activities.
- > Their involvement in other areas of the business is limited, but they develop a deep skillset in these areas and are well recognized for the stewardship role they play.
- > PAOs maintain the message that “risk is implicitly included in all parts of our qualification” and take no further action.
- > The global risk management profession continues to grow significantly to fill the gap in the market for leaders willing to confidently position themselves as risk experts.
- > Increased automation of specific accounting processes leads to a lower demand for accounting specialists. Many accountants, who are increasingly based in shared service centers around the world, spend little “face time” with the business.
- > That said, accountants remain specialized valued members of the business, performing important accounting, control, and compliance related activities.

This scenario raised concerns, including:

- > the perceived devalued status of the potential contribution of PAIBs to the organization;
- > decreased opportunity for career development;
- > lack of finance contribution to decision making, and the accountancy skillset being under-utilized;
- > lack of connectivity across the business with risk management becoming a bolt-on function and not integrated into business thinking and decision making, which can be caused by specialists working in siloes and with a narrow remit and without a deep understanding of the context in which decisions are being made and undermines an organization’s capacity for integrated thinking and reporting; and



- > if risk management could become a profession and accounting become a technology.

If this scenario played out, the result might be that it becomes harder to attract talent into the profession. As one Committee member reflected after the exercise, “Look around the room. Everyone looks depressed. There are no smiling faces in here.”

For some, the scenario highlighted the opportunity for PAIBs to be proactive and build on their accountancy qualifications to meet this demand for stronger risk management skills. Being recognized as a specialist could also be positive and provide a basis to provide greater value.

Scenario 2: We can do this

- > An increasing proportion of accountants move increasingly beyond financial reporting, control, governance, and compliance roles. There is an increasing trend for chief financial officers to assume a broader role in directing, managing, and overseeing the organization’s value creating processes, in many cases turning into chief *value* and *operating* officers.
- > This creates some tension in the initial stages of transition, as there are increasing interfaces with other parts of the business, and overlap with other functions.
- > With a focus on how to build successful and resilient organizations at the heart of their professional training, accountants play a significant role in helping organizations proactively adapt to a changing business environment.
- > PAOs explicitly embed effective risk management into their qualifications. There is market competition from other professional and postgraduate qualifications but the cost differential and the quality of training makes accounting qualifications the de facto choice.
- > Accountants are seen as well-respected business partners, with a “CEO mindset” and broad and influential role of getting things done within the world’s most dynamic organizations.

Scenario 2 led to the question of how the profession can take a leadership position, and what needs to be done for PAIBs to take a lead on determining how risk is managed throughout the organization, compared to competitors. Members highlighted a need for PAOs to balance advocacy and awareness raising, which positions PAIBs as leaders, with providing the needed training and development.

- > There was a strong feeling that the profession needs to enhance current training and development around risk management and enable PAIBs to gain the expertise to contribute effectively to managing risk as an integral part of managing an organization. Participants agree many professional accountants do not currently have the skillset needed to effectively manage risks. Many PAIBs entering specialized roles in risk management would need additional certifications or professional development.
- > This was a scenario in which members felt accountancy moves beyond reporting, internal control, and compliance and plays a more proactive role in business partnership—linking supporting decisions to strategic objectives, the business model, integrated thinking, and reporting.
- > As one committee member remarked, this is a scenario representing a profession and professional that is more relevant with the ability to impact business. As a result, the PAIB value proposition will continue to grow. It was seen as an opportunity to enhance the role and relevance of the profession and make for a more rewarding career path for PAIBs.



### Positioning statement

Committee members drafted elevator pitches summarizing the value PAIBs brought to risk management, first defining the target market for their message.

The exercise was designed to help participants think through how PAIBs and PAOs see their role.

The key themes in the messages were:

**In a world where:** Business is changing quickly in the context of increasing volatility, complexity and competition, and there is a growing focus on trust in business, government, and corporate responsibility.

**PAIBs exist to:** Help organizations navigate and bring order to the chaos by responding to opportunities and threats to an organizations strategic objectives.

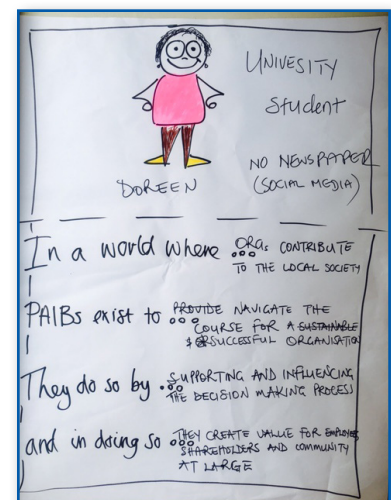
**They do this by:** Combining business knowledge with finance skills to create insight, through strategic analysis, scenario planning, integrated risk management, and analysis of cost and benefits

**And in doing so they:** Maximize value and trust for business and the community.



#### Actions for PAOs

- > PAOs need to consider how they support their members and students on securing the skills and capabilities to work effectively in managing risk.
- > Through committee members and their PAOs, the PAIB Committee will seek a greater understanding of what is planned in risk management in 2017 and beyond.
- > An opportunity for feedback on plans, what is working, and where improvements are needed to support professional accountants with risk management is planned for the next PAIB Committee meeting in March 2017.



## Trends Impacting the Finance Function: A Focus on Technology

### Objectives:

1. Share experiences of how technology is affecting organizations and implications.
2. Expose the profession to future possibilities.

Much has been reported about the changing role of finance and accounting functions and the skills and competence needed by finance professionals to remain relevant now and in the future. Technology in its various forms is gaining momentum and evolving the activities and career paths of professional accountants in business.

The context in which change is taking place includes:

- > finance functions providing greater value at the same or lower cost;
- > a strong commercial focus for finance with the spotlight on its relevance to the business;
- > a rapidly changing business environment involving new business models to deliver greater customer value, as well as enhanced efficiency; and
- > a need for transformational change in the application of technology as well as organizational cultures and practices, especially for brick and mortar organizations as they strive to keep up with internet-based businesses.

Key themes:

- > CFO relationships with chief information officers are becoming an important focal point for larger organizations.
- > Technology is becoming a commodity (cheaper and scalable) with the focus on how it is applied in existing organizational contexts to transform activities and processes.
- > Measuring return on technology investments is needed.
- > Developing the finance function and PAIBs requires answers to several key questions:
  - » what is today's skillset and what is needed in the future?
  - » what is today's toolset and what is needed in the future?
  - » what is today's mindset and what is needed in the future?

Three speakers highlighted the challenges they face as leaders in the finance function, which provided a basis to discuss technology trends affecting organizations and finance functions in public and private sectors.

**Stuart Chaplin, Vice President Finance–Risk Management, Shell Trading & Supply, and IFAC PAIB Committee Member**

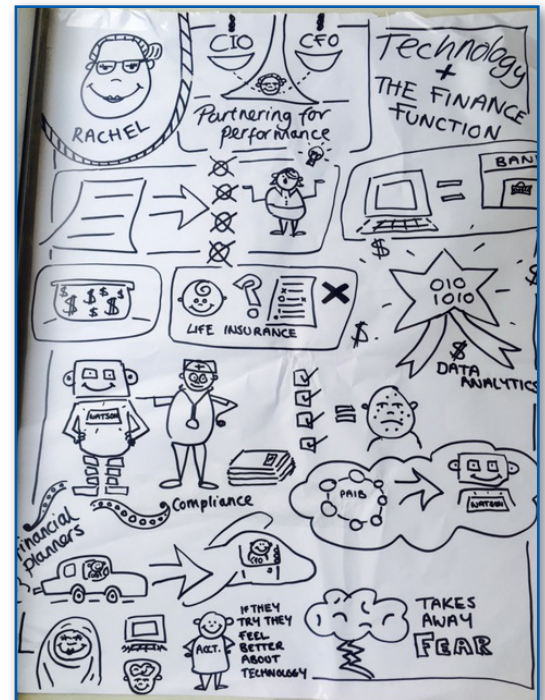
*Implementation of Robotics and Automation—A Game Changer*

- > Paradigm shift based on technology that is cheap, fast, and accessible. The increasing application of robotics and automation builds on the last 10 years of offshoring finance operations and develops good processes based on standardization and centralization.
- > Software can perform distinct tasks as a human end user would. This is typically applied to repetitive activities, e.g. data and information collection, compilation & reporting
- > The technical potential for automation is high in tasks involving collecting and processing data.
- > New approaches are scalable, low cost, and adaptable to business changes.
- > Automation also brings other benefits, such as with internal control and audit.
- > In-demand programming skills are increasingly developed in-house rather than through professional service providers.
- > Increased application of robotics provides an opportunity for finance staff to spend more time on higher value add activities. Development and support to “high-grade” finance skills may be required to adapt to a future where robotics is more prevalent.

**Rachel Grimes, CFO Group Technology Finance, Westpac Group, and IFAC Deputy President**

*How Technology is Changing the Way Services are Delivered through Cognitive Business*

- > For many organizations, data is their most valuable asset but it is not typically valued. Use of data analytics to facilitate better decisions around upselling and cross-selling delivers greater value.
- > Cognitive service applications are being tested and applied to compliance activities, and to customer services to enhance product relevance. Major companies are expanding their Artificial Intelligence, such as [IBM’s Watson](#) and [Microsoft’s Cortana](#).
- > Finance is taking an internal customer perspective and involves being clear on who the customers of finance are, what they need, how they want to receive it, and when they need it. This ensures that finance professionals support the needs of the organization, and leverage technology to improve customer value as well as enhance processes such as in compliance.

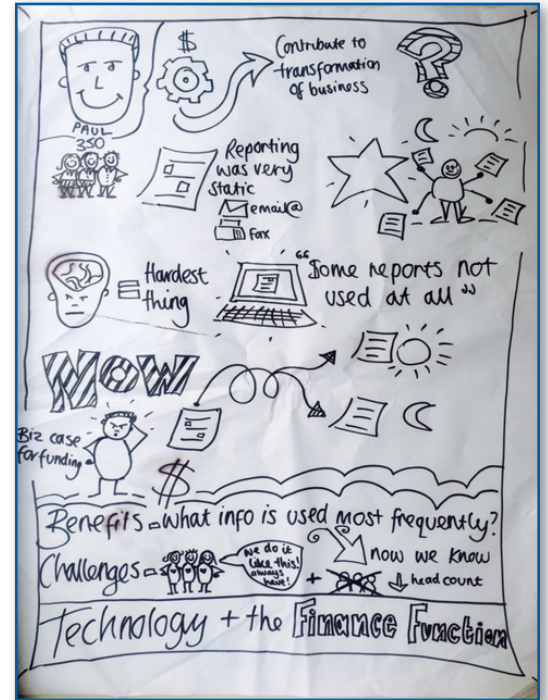


The collaboration between finance and information technology in Westpac has increased in recent years, which means greater involvement in the IT agenda.

**Paul Urquhart, General Manager Finance, Australia Post, and IFAC PAIB Committee Member**

*How Technology is Impacting the Business Model and the Contribution of the Finance Function*

- > The key question is how a finance function can contribute to the transformation of a business by changing itself.
- > Finance is expected to deliver greater value at the same cost and hence needs to constantly evolve.
- > The nature of the Australia Post business model is significantly changing with demand for some legacy services declining, newer parts of the business growing, and future potential revenue streams being developed.
- > To support this changing business model the finance function has moved to a specialized center of excellence structure that performs all reporting. This has enabled separate teams to be more focused on deeper business partnering. In addition, other areas concentrate on financial control, tax, treasury, and internal control.
- > All reporting is stored centrally on an internal "portal" to be accessed on a self-serve basis. By using analytical processes finance can then understand what reports are being used and when so that services can be tailored to business needs.
- > The next phase of reporting needs to integrate financial and operational information more closely to enable more real time analysis and one source of truth for data. This will further ensure finance and business needs are aligned.



Throughout this transformation, leadership of the finance function requires managing the people expectations and anxieties that can arise from change. A key aspect associated with this is fostering the right mindset and culture to navigate through the change process. These are vital and will ultimately enable finance to be the source of intelligent decision making for the business.

**Various implications for PAOs and accountancy education were identified as a result of these discussions:**

- > Students need to understand end-to-end finance processes but these are becoming increasingly fragmented and automated, posing a challenge to young PAIBs understanding finance operations. To deal with this, finance graduate programs within large companies increasingly provide a range of experiences in finance operations. Simulation exercises in education and training can also help fill knowledge gaps.
- > Current accountancy education is probably not fit-for-purpose for preparing PAIBs in data analytics application.

- > Basic programming and related analytical skills should be part of professional accountant's training.
- > Behavior change is the basis of purposeful and meaningful change. Collaboration and change management have become a very important skillset for PAIBs.

Discussions on the impact of technology on PAIBs and the profession will continue at the March committee meeting.

**Actions for PAOs**

- > Ensure that changes impacting PAIBs and finance functions in your jurisdiction(s) are understood and communicated broadly, and that there are plans to support the profession respond to the opportunities and challenges.

## Creating and Communicating Value Creation through Integrated Reporting

### Objectives:

1. Identify the key areas of CFO influence on the implementation of integrated reporting.
2. Understand how the business model supports integrated reporting.

### *Business Model Thinking as a Basis for Integrated Reporting*

Charles Tilley presented on CIMA's business model initiative and [Rethinking the Business Model](#), and how it supports the role of PAIBs in facilitating the implementation of integrated thinking as a foundation for integrated reporting. The framework for the business model and value creation is set out from the perspective of building trust in organizations.

The business model framework looks at various key elements of a business, highlighting the interconnectivity between how to:

- > define value through understanding and prioritizing stakeholders;
- > create value in terms of partners, resources, processes, activities, and outputs;
- > deliver value through targeted segments and channels; and
- > capture value through the cost and revenue model and sharing the surplus with investors and other stakeholders taking into account long-term objectives.

CIMA's business model initiative will be shared further with the [PAO Network for Integrated Reporting](#) at a future Network webinar.

### CFO Leadership in Integrated Reporting

As part of its Creating Value series of publications, the International Integrated Reporting Council (IIRC) and IFAC are developing a publication on CFO leadership in integrated reporting, which will be launched at the [IIRC/International Corporate Governance Network conference](#) in

December. To help inform its development, committee members discussed the barriers and incentives of CFO influence on integrated reporting implementation.

### Incentives to adoption

Incentives for CFOs and finance function

- > Improve CFO/finance function positioning within the business and is an opportunity for more meaningful engagement with other parts of the organization, as well as investors and others
- > Provide an opportunity to build trust in the organization and enhances the role of finance as a trusted advisor.



- > The CFO role in stakeholder interactions is central in many organizations and integrated reporting provides a structure to understand stakeholder interests and expectations as well as communicate value to them. This is an effective way to educate institutional investors who can be overly focused on financials.
- > Integrated thinking is a means to fostering greater clarity of strategy and a more detailed understanding of the business model and the drivers of value. Integrated thinking provides the opportunity to deliver long-term value creation based on changed behavior, and actions.
- > An opportunity to rationalize reporting processes and provide a more compelling story of the organization across a range of capitals.

### Barriers to adoption

Barriers for CFOs and finance function

- > A CEO needs to believe in the benefits of integrated reporting; otherwise, it is very difficult for the CFO to persuade other parts of the organization to embrace integrated reporting. The support of the chair of the audit committee is also important in taking forward a robust reporting process.



- > For finance, integrated reporting is often a step into the unknown and often involves engaging parts of an organization not traditionally part of reporting. The integrated reporting process may lead to new measures of performance, measurement of uncertainty, and the need to convincingly explain them to a broad audience.

- > A poor understanding of integrated reporting, particularly how to bring about integrated thinking within and beyond the finance function—few experts seem to exist.

- > Change management requires organizational commitment, effort, and resource.

- > A reluctance in some organizations to disclose potentially competitive information, or create potential liability issues paired with a regulatory environment that typically encourages a compliance based approach to reporting.
- > Integrated reporting can pose measurement, reporting, and auditing challenges. The quality of non-financial definitions and data requirements are often a challenge, and in some cases quantitative data does not exist for many of the capitals.

### IAASB Discussion Paper on Emerging Forms of External Reporting

The Committee will respond to the IAASB's Discussion Paper, [\*Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements\*](#) (February 3, 2017 deadline).

The discussion at the Committee meeting highlighted issues for further consideration in developing a response for the IAASB. Initial perspectives include:

- > In evaluating an integrated report, it is important for external stakeholders to be able to judge the extent to which the reporting is based on integrated thinking.
- > Trust in broader forms of reporting arise from checks and balances within the organization, as well as from professional services. such as assurance or consultancy/advisory engagements.

- > The existing auditing and assurance standards are generally perceived as adequate and a new definitive standard is not necessarily needed.
  - » International Standard on Assurance Engagements (ISAE) 3000, the overarching standard applying to all assurance engagements other than audits and reviews of historical financial information, is important as it provides third-party validation and testing of the design and operating effectiveness of the company's processes and procedures. The benefits of ISAE 3000 could be more widely promoted to the PAIB constituency.
- > There is an expectation gap among investors in terms of the scope of an assurance engagement undertaken in accordance with current standards.
  - » It might be more useful at this stage to provide explanatory materials on what standards do and do not cover, particularly in the case of ISA 720.
- > In terms of potential demand for assurance:
  - » Limited assurance on a specific set of indicators, such as emissions or gender pay gaps, seems to be the most demanded form of assurance.
  - » Such an approach provides management and external stakeholders comfort in disclosure of specific data and is more easily and cheaply undertaken than a broader assurance engagement.
  - » Generally, governing boards and management can take comfort from assurance to the extent that they perceive the benefit exceeds costs, which is not always the case.
  - » The demand from management can be more for advisory services and readiness reviews to help plug in-house competence gaps in preparing non-financial information.
  - » Whether shareholders see value in assurance of information outside the financial statements also depends on the track record of the company in producing reliable and credible information.
  - » Demand for assurance is not necessarily going to be on an annual basis. Organizations will demand different services and the help of professional service firms to deal with specific aspects of integrated reporting when needed, and to respond to matters arising from their risk assessment.
  - » Where there is an internal audit function, it can be key in both ensuring the credibility of metrics and evaluating potential risk to the organization given its more intimate knowledge of the business model and value creation.



#### Actions for PAOs

> **The <IR> Network for Professional Accountancy Organizations** supports an exchange of ideas, knowledge, experiences, and resources between PAOs. This helps PAOs engage their membership and influence the adoption of integrated reporting through their members and others. To support PAOs, IFAC provides ideas and resources through the Network. You can participate in the Network through:

- » The exclusive [LinkedIn discussion group](#) and dedicated [website](#); and
- » Quarterly webinars involving PAOs and others sharing experiences.

Key contacts: Michael Nugent ([michaelnugent@ifac.org](mailto:michaelnugent@ifac.org)) and Stathis Gould ([stathisgould@ifac.org](mailto:stathisgould@ifac.org))



## The Accountancy Profession's Contribution to the UN Sustainable Development Goals

### Objectives:

1. Support the profession's contribution to the 2030 sustainable development agenda.
2. Encourage a profession and business world that contribute to the Goals and sustainable outcomes.

The March meeting included an interactive session on the UN Sustainable Development Goals (SDGs), and helped capture a global perspective on how the accountancy profession contributes as well as the relevance of the SDGs to PAIBs and their employers. These conversations and initial thoughts informed the upcoming [The 2030 Agenda for Sustainable Development: A Snapshot of the Accountancy Profession's Contribution](#).

A summary document is in development along with related materials to support PAO efforts to communicate their contribution to the SDGs.

### Mainstreaming the SDGs

Starting with a working draft of the IFAC paper on the SDGs, committee members shared ideas and messages that could help PAIBs and their organizations engage PAIBs in helping to deliver the SDGs. The Committee suggested that messages from the profession should be aspirational, motivational, and relevant. They suggested some useful steps for PAIBs to consider in setting strategy in the context of the SDGs:

- > Map out existing organizational objectives and activities to the SDGs and connect them with what the organization is trying to achieve.
- > Evaluate corporate activities in relation to local societal and economic needs and areas of potential opportunity and risk as a starting point.
- > Create awareness and report and incorporate SDGs into corporate culture.
- > Evaluate which SDGs are most relevant and establish the top 2-3 outcomes that could be delivered in the context of feedback from stakeholders.
- > Establish operational metrics and quantify these where possible, and build into reward systems.



- > Link SDGs more explicitly to integrated reporting.

#### **Actions for PAOs**

- > PAOs should consider how they champion the SDGs in their region using the forthcoming report as a basis. Specifically, what can PAOs aspire to in helping mainstream, implement, and monitor the SDGs? IFAC looks forward to a continuing dialogue within and beyond the profession around these areas, and other ways the profession can make a difference.
- > Effective PAO communications to raise awareness of the SDGs, including “fast facts” to drive attention and case studies of companies and members speaking about the SDGs that resonate.

#### **Additional News and Agenda Items**

- > The regulatory environment surrounding the profession is challenging some PAOs. To help, the Royal Nederlandse Beroepsorganisatie van Accountants (NBA) launched a survey to gain better insight into the views on their PAIB members on different aspects of being an accountant in business. The results are summarized in [“Pride, Connectedness, and Responsibility: A Closer Look at the Dutch Professional Accountant in Business.”](#)
- > E-learning has been reported as key area of development by a number of PAOs to complement face-to-face training and education. PAOs identified e-learning as a key area where they would like to share learning and experience.
- > The Natural Capital Protocol was launched in London on July 13 at an extremely well attended event with approximately 200 participants at the Institute of Chartered Accountants in England and Wales. The Protocol is a standardized framework for business to measure and value its direct and indirect impacts and dependencies on natural capital. The article, [“Understanding a Business’ Impacts, Dependencies on the Natural World”](#) provides additional information.