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# THE ACCOUNTANCY PROFESSION— PLAYING A POSITIVE ROLE IN TACKLING CORRUPTION

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“The accountancy profession seeks to create an ethical framework to assist its members in speaking out when they identify fraud and corruption.”

– IFAC President Rachel Grimes

“Corruption is a severe impediment to sustainable economic, political, and social progress for countries at all levels of development...This underscores the importance of intensifying efforts to improve governance frameworks and strengthen actions to improve the prevention, detection, and sanctioning of corruption. Any effort to fight corruption requires a holistic and coordinated approach.”

– *Putting an End to Corruption*, Organisation for Economic Co-operation and Development

Over the last two years, IFAC has commissioned the independent Centre for Economics & Business Research (Cebr) to analyze our membership data, and to examine the accountancy profession's role in society.

*The Accountancy Profession—Playing a Positive Role Tackling Corruption* is the third report in this series and provides a snapshot of the accountancy profession's role in the global fight against corruption.

The first report, *Nexus 1: The Accountancy Profession, Behind the Numbers*, highlights the importance of professional accountants to growing economies, and compared the profession's growth with total employment growth within regions. The overall picture showed a profession in demand, growing steadily, and making significant contributions to all areas of society.

The second report, *Nexus 2: The Accountancy Profession—A Global Value-Add*, provides a snapshot of the accountancy profession's economic contribution to the global economy, and to society.



## FOREWARD

*The Accountancy Profession—Playing a Positive Role in Tackling Corruption* summarizes research into the crucial role professional accountants play, alongside other key actors in the economy, to tackle corruption globally.

Corruption is among the most harmful and urgent issues facing the world's citizens today. Among its effects are a corrosive impact on economic growth that frustrates poverty reduction efforts and erodes public trust in business, government, and the rule of law.

The positive role played by accountants worldwide in the fight against corruption is clear, and professionalism is highlighted as an essential component for success. Professional accountants are one group among a number of vital actors in the economy, including business leaders, governments, and the financial sector, that are key to tackling corruption.

An increased determination and great deal of constructive work in the global fight against corruption has been evident in recent years and this momentum is set to continue in 2017. However, this is a never-ending

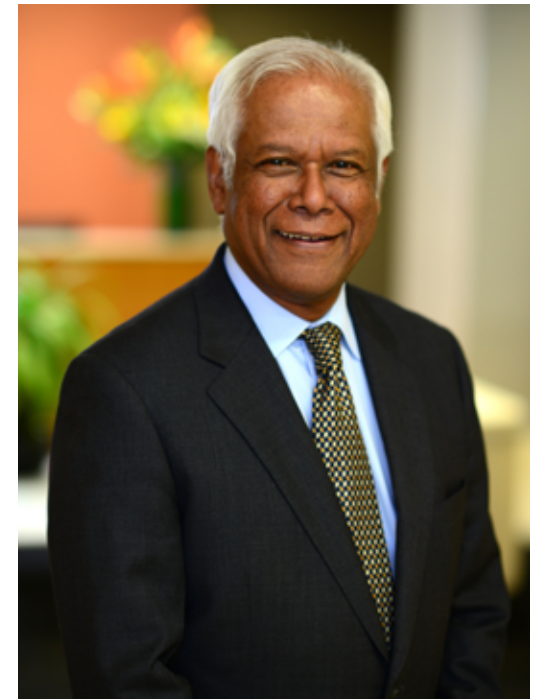
mission, and the problem is age-old. In order to achieve meaningful success, it vital that three things happen:

- collaborative efforts across all sectors—business, government, and the professions—must be intensified to enact clear organizational governance standards and whistle-blowing protections for those who suspect or identify wrong-doing;
- given vast public sector spending, global interest in robust, transparent, and accountable public financial management must be reinvigorated; and
- to support the public interest, there must be greater global adoption of high-quality international standards on financial reporting, auditing, and ethics.

In the fight against corruption, silence must never be the safer option for any individual. The accountancy profession, acting in the public interest, has supported this fight for decades—and we will continue to do so.

### **Fayez Choudhury**

Chief Executive Officer, IFAC



## KEY FINDINGS

### 1. **Where the governance architecture is stronger, the role played by professional accountants in tackling corruption is amplified.**

Professional accountants are a part of the governance architecture that serves to tackle corruption, and their positive contribution is amplified where the rest of that architecture is stronger. The link between the prevalence of professional accountants in the workforce and more favorable scores on the main global measures of corruption is stronger in G-20 countries, and in countries that have adopted anti-money laundering laws in line with international recommendations.

### 2. **Professional accountants are playing a major, positive role in tackling corruption, along with other key actors in the global economy.**

The work of professional accountants is crucial to the governance architecture of economies, and along with other key elements serve to underpin transparency, accountability, and the rule of law. There is a strong link between the percentage of professional accountants in the workforce, and more favorable scores on the main global measures of corruption.

### 3. **Professional ethics, education, and oversight—at the core of the global accountancy profession—are key to the positive role played in tackling corruption.**

Core qualities that make accountancy a global profession are its robust international ethical code, comprehensive educational requirements, and ongoing monitoring and oversight mechanisms. The link with more favorable corruption scores is three times stronger for professional accountants that have committed to these qualities than for individuals who may identify as accountants but do not possess professional qualifications (for example, in countries where professional qualifications are not required, or individuals working in support roles).

## CHALLENGES AND OPPORTUNITIES

### **Working together to strengthen governance and transparency, and combat corruption**

All key players in the governance architecture of our economies, including professions, business, and government, in both private and public sectors, must collaborate to adopt clear governance standards for all organizations.

### **Improving government accounting**

Poor government financial management, including cash rather than accrual-based accounting, remains a significant issue in many regions and has a negative impact on decision making, accountability, and transparency. Adoption of accrual-based accounting, and International Public Sector Accounting Standards™ (IPSAS™), by all governments and public sector institutions is an urgent priority.

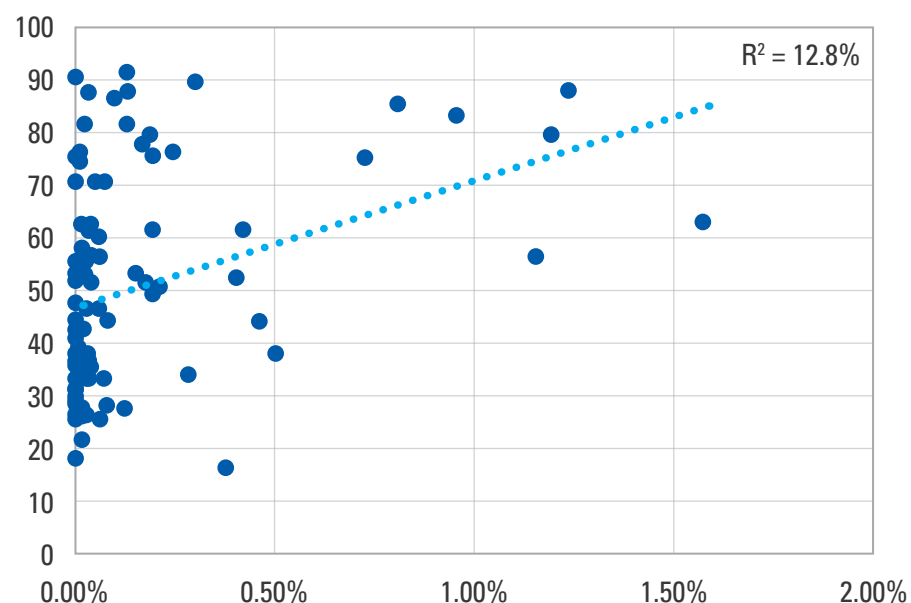
### **Consistent international standards**

To support the public interest, there must be greater global adoption of high-quality international standards on financial reporting, auditing, and ethics. This includes adoption and implementation, across all jurisdictions, of International Financial Reporting Standards, International Standards on Auditing, the *Code of Ethics for Professional Accountants™*, issued by the International Ethics Standards Board for Accountants® (IESBA®), and IPSAS. These standards have a nexus across integrity in both private and public sectors.

## PLAYING A MAJOR POSITIVE ROLE

Professional accountants are playing a major positive role in tackling corruption, along with other key actors in the global economy.

Transparency International Corruption  
Perceptions Index correlation with %  
professional accountants in the work force



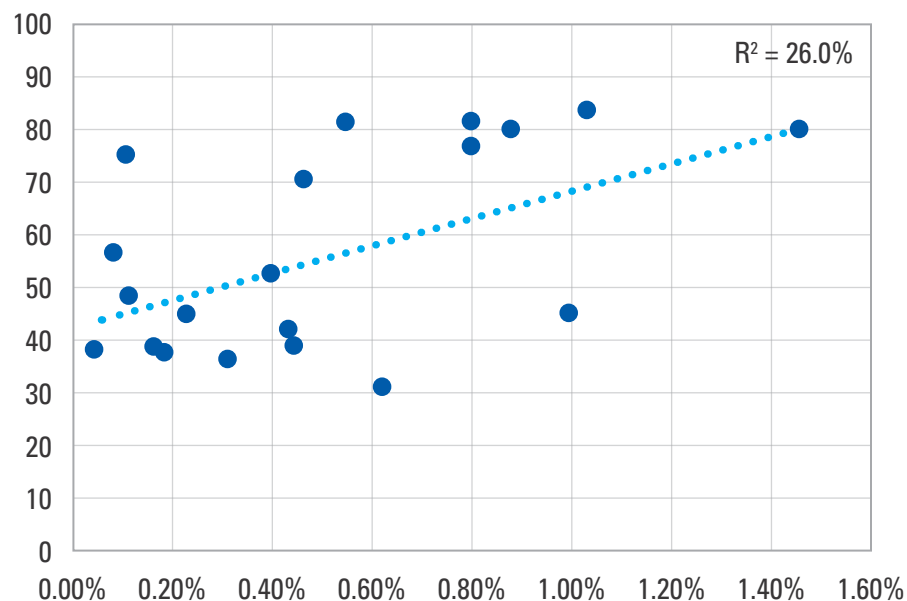
There is a strong correlation between the proportion of professional accountants in the workforce and a more favorable score on the Transparency International Corruption Perceptions index.<sup>1</sup>

<sup>1</sup> Proportion of members of IFAC member organizations in the workforce is used to approximate the proportion of professional accountants in economies.

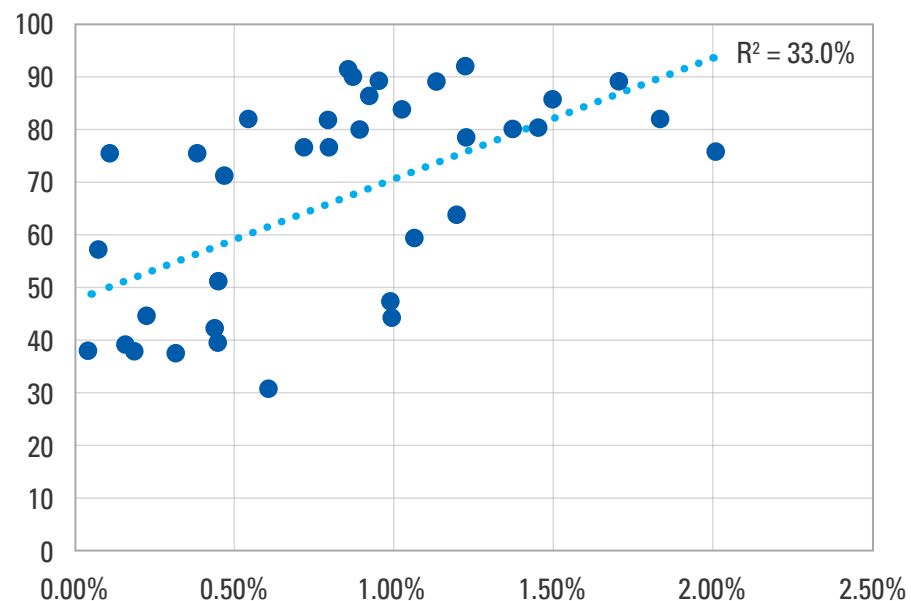
## STRONGER GOVERNANCE ARCHITECTURE

Where the governance architecture is stronger, the role played by accountants in tackling corruption is amplified.

G-20 Country Transparency International Corruption Perceptions Index correlation with % professional accountants in the work force



Financial Action Taskforce Country Transparency International Corruption Perceptions Index correlation with % professional accountants in the work force



The correlation is up to three times stronger in both G-20 countries and countries that have adopted the Financial Action Task Force recommendations, the international anti-money laundering and combating the financing of terrorism and proliferation standards.



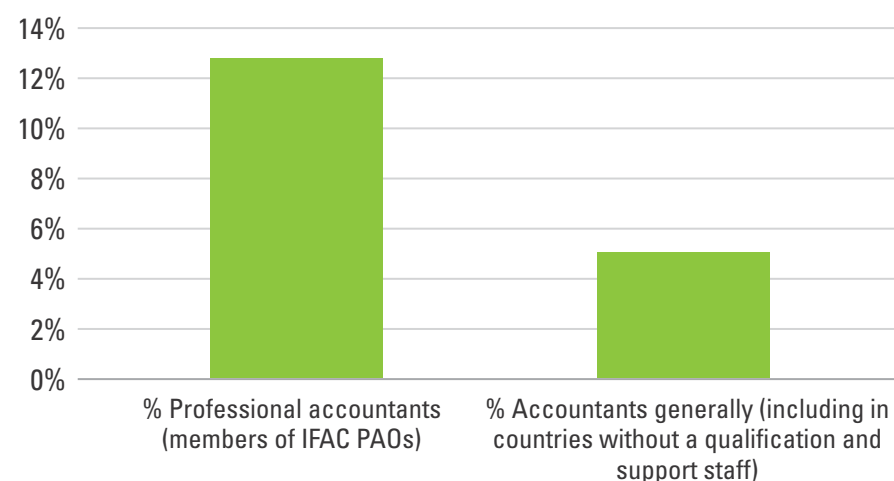
## THE GLOBAL ACCOUNTANCY CORE

**Professional ethics, education, and oversight—at the core of the global accountancy profession—are key to the positive role played in tackling corruption.**

The proportion of professional accountants in the economy—those who have subscribed to robust ethical, educational, and oversight requirements—is three times more strongly linked with more favorable scores on international measures of corruption, than for individuals identifying as accountants but who may not have professional qualifications.

Based on labor statistics, Cebr estimates that IFAC member organizations represent one third (almost 3 million people) of the global accountancy ecology with the remaining two thirds identified by labor statistics as accountants, or who work in a related field (see Nexus 2 for further detail). These are people who may work in a country that does not require professional accountancy qualification, or who work in an accountancy support function.

**Comparative strength of correlation with favorable  
Transparency International Corruption Perceptions Index**



### What does professionalism mean in the global accountancy profession?

IFAC's member organizations are professional accountancy organizations that are **committed to**:

- Quality assurance
- International Education Standards for professional accountants
- International Standards on Auditing and related standards
- *Code of Ethics for Professional Accountants*
- International Public Sector Accounting Standards
- Investigation and discipline
- International Financial Reporting Standards



There is also a strong correlation ( $R^2 = 49\%$ ) between adoption of the global accountancy profession's ethical, educational, and investigation and discipline requirements, and more favorable scores on international measures of corruption.

## COMMITTED TO REDUCING CORRUPTION

**The global accountancy profession is committed to its role in tackling corruption.**

### Professions Collaborate to Fight Corruption

Ahead of the Anti-Corruption Summit London 2016, IFAC signed [a joint statement deploring corruption](#) alongside professional accountancy organizations and the legal fraternity in the United Kingdom.

*Bribery and corruption represent serious threats to economic growth, individual livelihoods, and civil society across the world.*

*For many years, professional bodies have worked alongside government, regulators, law enforcement, and international bodies, and supported our members to combat bribery, corruption, tax-evasion, money laundering, and the financing of international terrorism. We will continue this work and provide support to facilitate national and international cooperation and to improve monitoring and enforcement systems.*

*We deplore corruption and the significant harm it causes; we play a vital role in training, educating, and supporting our professions to uphold the highest levels of integrity and ethical standards.*

*We know criminals seek to abuse the services provided by our members to launder the proceeds of corruption and we are committed to ensuring the professions we serve are armed with the tools to thwart this abuse.*

*We stand united in the fight against corruption in all its forms and are committed to sharing knowledge, skills and intelligence with our fellow professionals and with all agencies fighting this cause.*

### Supporting the International Community

At the March 2016 [OECD Anti-Bribery Ministerial Meeting](#), then IFAC President Olivia Kirtley highlighted an increasingly complex and interconnected world that requires strong collaboration and commitment from the private, public, and regulatory communities to fight bribery and corruption.

The global accountancy profession has focused its [call to action](#) for the 2016 G-20 Leaders' Summit on trust and integrity, urging steps toward stronger governance in business and the public sector, and a cooperative, consistent global regulatory environment.



## COMMITTED TO REDUCING CORRUPTION

### Accountability. Now.

**Accountability. Now.** is a campaign for higher standards of public sector information around the world. Its role is to provide a catalyst for change. It challenges governments to recognize the importance of working toward financial reporting that meets international standards.

The campaign includes the following initiatives:

- Building a global coalition by bringing together organizations that support improving transparency and accountability in the public sector.
- Raising awareness by reinforcing the benefits of sound financial reporting to governments unconvinced of the need for change.
- Developing partnerships to effect change by bringing together key actors in the public sector community to take action to improve financial information in the public sector.
- Building capacity at a country level through engagement with local accountancy organizations, helping to develop a pipeline of well-trained professional accountants to work with government organizations in order to bring about the change that is required.

### Convening International Dialogue toward More Effective Regulation, and Restoring Trust in Business and Government

During 2015 and 2016, IFAC convened two **roundtables** focused on promoting consistent, high-quality global regulation, to aid global economic growth and more effectively combat global problems, such as corruption. The discussions involved senior executives and experts from regulatory agencies, financial markets, government, academia, listed companies, investment funds, and the accountancy profession.



More than 60 experts gathered to promote consistent, high-quality global regulation, aid global economic growth, and more effectively combat global problems, such as corruption, during the roundtable in London, July 2016.

### Strengthening the Code of Ethics for Professional Accountants

In July 2016, a new standard was issued by the **IESBA** setting out a framework to guide professional accountants in what actions to take in the public interest when they become aware of a potential illegal act, known as non-compliance with laws and regulations, or NOCLAR, committed by a client or employer.







***Strengthening Organizations, Advancing Economies***



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