

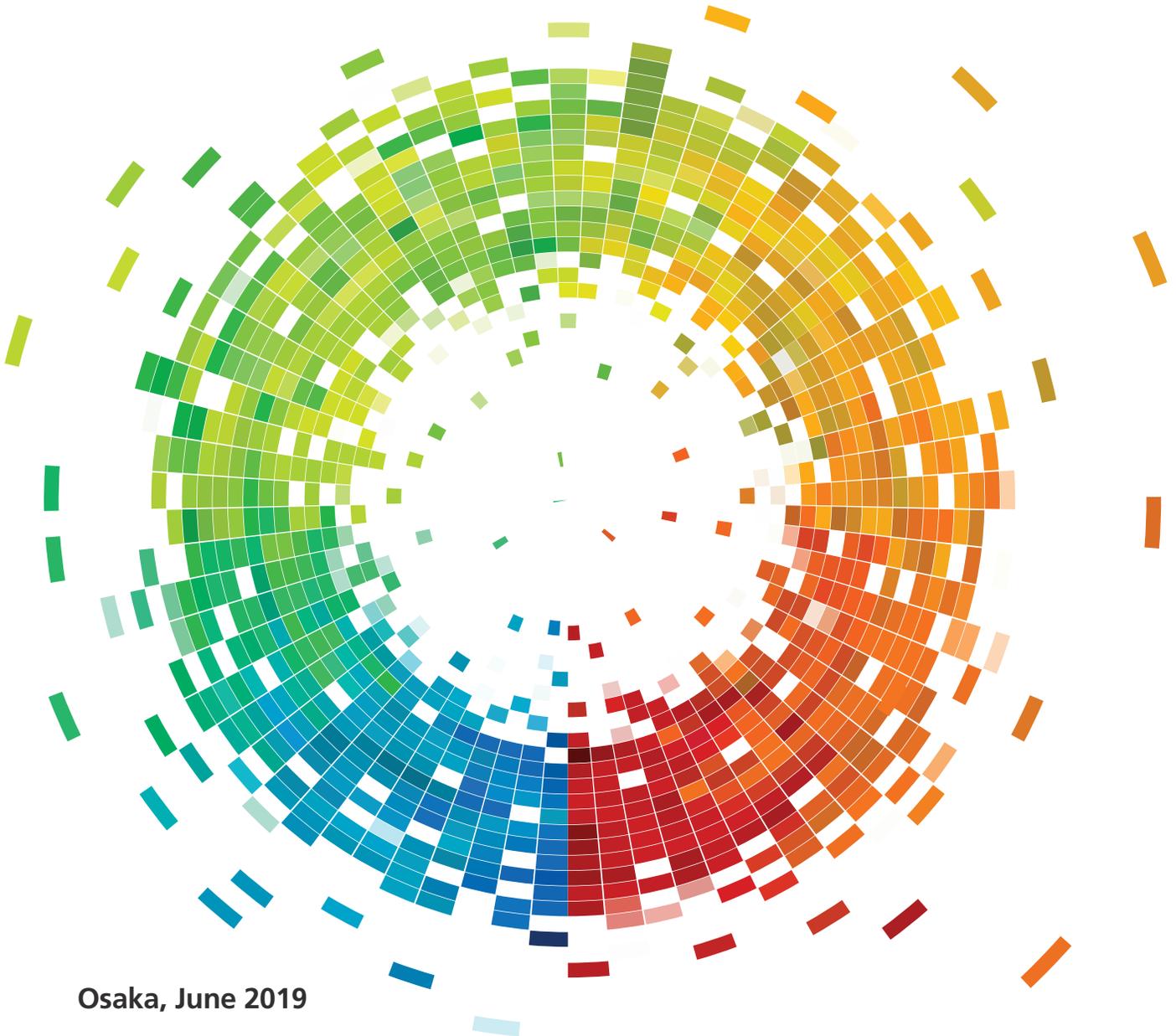


BUILD TRUST.
INSPIRE CONFIDENCE.

International
Federation
of Accountants®

The Global Accountancy Profession's Call to Action for G20 Leaders

COUNTING ON SOCIETY 5.0



Osaka, June 2019



SMART REGULATION.
HEIGHTENED TRANSPARENCY.
INCLUSIVE GROWTH.

IFAC, with its member organizations, serves the public interest by enhancing the relevance, reputation, and value of the global accountancy profession by:

- contributing to and promoting the development, adoption, and implementation of high-quality international standards;
- preparing a future-ready profession; and
- speaking out as the voice for the global profession.

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Call to Action for G20 Leaders

This is the global accountancy profession's call to action for G20 Leaders at the 2019 Osaka Summit. We believe these policies are fundamental to achieving the G20's aim of fair and sustainable development through an agenda that is people-centered, inclusive and forward looking. These are actionable steps toward realizing the United Nations Sustainable Development Goals (SDGs) and Japan's global vision for "Society 5.0".

While growth has returned to most economies, substantial uncertainty and downside risk remain, along with the temptation for politics to turn inward. We urge leaders and governments to reach outward, collaborating on global solutions to the evolving global challenges faced by citizens and toward realizing the incredible opportunities of the digital age in an inclusive way. Anything else is simply a band aid approach.

Meaningful progress on the SDGs is essential to maintain momentum and enthusiasm—2030 is approaching rapidly. The global accountancy profession is committed to playing its role in mainstreaming, implementing, and driving transparency in monitoring the SDGs. Japan presents a bold vision in Society 5.0, which the profession recognizes and supports.

These specific, actionable recommendations are informed by IFAC's network encompassing more than 3 million professional accountants worldwide, working throughout all economies and sectors. Accountants contribute \$590 billion USD in direct gross value-added terms to the global economy each year. They contribute to economies inestimably through the transparency, integrity, and skills they bring that unlock the capacity for businesses to thrive, and for governments to play their important role.

It is time for implementation. We're counting on you, and we stand ready to work with you, to fulfil the SDGs and realize a thriving, sustainable Society 5.0.



In-Ki Joo
IFAC President



Kevin Dancey
IFAC Chief Executive Officer



CALL TO ACTION

SMARTER REGULATION

1. Make Regulation Smarter, and More Effective
2. Create a Consistent, Transparent, Global Regulatory Environment
3. Implement Internationally-Accepted Standards

HEIGHTENED TRANSPARENCY

4. Strengthen Governance
5. Embrace Integrated Reporting
6. Enhance Public Sector Financial Management
7. Collaborate to Tackle Corruption

INCLUSIVE GROWTH

8. Create an Environment for Small- and Medium-sized Entity Growth and Inclusiveness
9. Create a Secure and Digital-Ready Investment Environment
10. Collaborate for a Coherent International Tax System

SMARTER REGULATION

"I WILL CONTINUE TO WORK AS A DRILL BIT, DRILLING RIGHT THROUGH OUTDATED REGULATIONS TO CHANGE THEM. THE ENGINE FOR GROWTH, IF YOU THINK ABOUT IT, IS FUELED NO LONGER BY GASOLINE, BUT MORE AND MORE BY DIGITAL DATA."

— *Toward a New Era of "Hope-Driven Economy"*, Prime Minister Shinzo Abe's Keynote Speech at the World Economic Forum Annual Meeting, January 23, 2019



1 | MAKE REGULATION SMARTER, AND MORE EFFECTIVE IN G20 COUNTRIES

- Develop and adopt consistent and comprehensive principles for high-quality regulation, and prompt regulatory and standard-setting bodies to adhere to them.

Principles for Smart Regulation

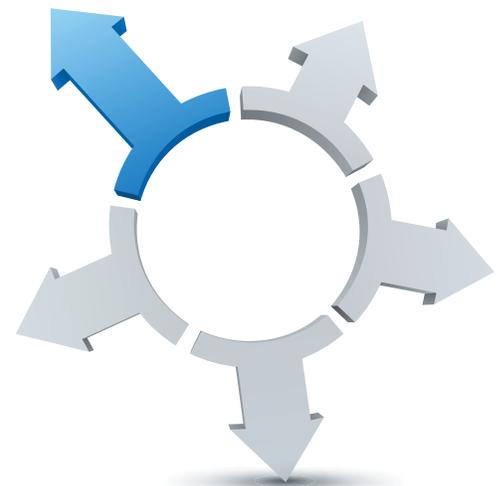
- Clear objectives in the public interest
- Proportionate and balanced approach
- Evidence-based assessment of costs and benefits
- Appropriate resourcing for regulators
- Collaborative action
- Consistent and coherent regulatory systems
- Active oversight
- Transparent and open consultation
- Systematic review
- Deliberate enforcement



These principles were identified by senior executives and experts from regulatory agencies, financial markets, listed companies, investment funds, and professions convened by IFAC in 2015 and 2016. Additional information is available on the IFAC website, www.ifac.org.

Regulatory divergence is an intensifying, major threat to growth and stability in the financial system. A study by IFAC of more than 250 compliance and risk leaders in global financial institutions reveals that divergence is:

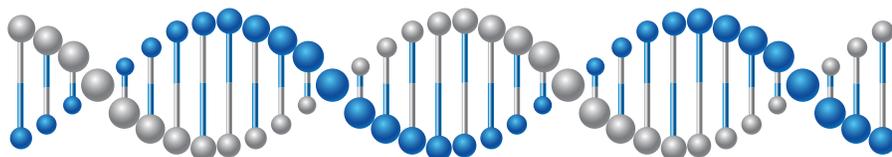
- Gives rise to \$780 billion+ USD in costs annually: between 5-10% of annual turnover in financial institutions globally, more severely impacting small and medium institutions.
- Diverts senior management time and resources away from managing the business: more than half indicated major impacts on risk management over the past five years.
- Poses a barrier to international growth and finance: 76% of respondents indicate divergence is a moderate to substantial barrier to their institutions.
- Intensifies over time: 73% have noted increasing divergence over recent years and 65% expect further increases soon.



Source: [Regulatory Divergence: Costs, Risks, Impacts](#), IFAC and Business at OECD, 2018

2 | CREATE A COHERENT, TRANSPARENT GLOBAL REGULATORY ENVIRONMENT AND LIMIT REGULATORY DIVERGENCE

- Establish a formal mechanism for continuous and systematic cross-border dialogue between national regulators to improve consistency and transparency in the implementation and interpretation of international regulations and standards, with the involvement of the Organisation for Economic Cooperation and Development (OECD), Financial Stability Board, and other key international organizations.
- Call for policy makers and regulators across the G20 to put high priority on regulatory cooperation and harmonization, greater communication and collaboration between regulators in different jurisdictions, and greater transparency in rule making, monitoring, and enforcement processes.



3 | IMPLEMENT INTERNATIONALLY-ACCEPTED STANDARDS TO ENHANCE CONFIDENCE, GROWTH, AND STABILITY IN THE GLOBAL ECONOMY AND FINANCIAL SYSTEM

These include:

- International Financial Reporting Standards
- International Standards on Auditing
- Auditor independence requirements set out in the International Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants
- International Public Sector Accounting Standards
- International Education Standards

High-quality, internationally-accepted standards are crucial to enhance confidence, growth and stability in the global economy and financial system. We urge G20 members to adopt and implement these standards in their countries and call for global adoption.

HIGH QUALITY INTERNATIONAL STANDARDS

IFAC and its member organizations have committed to promoting adoption and implementation of high-quality international standards. These standards are key to financial accountability and transparency throughout economies—including in accounting in the public and private sectors, auditing, accountancy education, and professional ethics. Substantial adoption progress has been made over several decades, enabling efficiencies and connections among the world's economies.

Commitment from the highest level of international policy collaboration is essential to promote further adoption and ensure legal and regulatory frameworks facilitate effective implementation of these standards worldwide.

Based on a recent survey of 80 jurisdictions:

- 79% of jurisdictions surveyed have adopted International Standards on Auditing for all mandatory audits.
- 61% of jurisdictions have fully adopted the Code of Ethics for Professional Accountants.
- 91% of jurisdictions have adopted International Financial Reporting Standards for all or most public entities.

Source: [International Standards: 2017 Global Status Report](#), IFAC, 2017

HEIGHTENED TRANSPARENCY

“TRUST IS THE FOUNDATION FOR ANY AND ALL INTERACTION... IN A DIGITAL CONTEXT, TRUST IS CREATED THROUGH EFFECTIVE AND ENFORCEABLE PRIVACY, SECURITY, ACCOUNTABILITY, TRANSPARENCY AND PARTICIPATORY PRACTICES.”

— B20 & C20, *Joint Statement on Implementation of National Anticorruption Strategies*

4 | STRENGTHEN GOVERNANCE IN THE PUBLIC AND PRIVATE SECTORS

- Adopt a consistent and comprehensive approach to defining and requiring high-quality governance in public and private sector organizations throughout all G20 countries, including adopting the G20/OECD Principles of Corporate Governance.
- Develop robust mechanisms for monitoring governance practices implementation, including appropriate incentives for voluntary behavior.
- Call for more effective public communication on accountability and governance in public and private organizations in language and platforms that citizens can understand and relate to.

Failures that shatter public trust—financial, economic, political and beyond—are almost always first and foremost failures of governance, including where governance systems fail to mitigate the impact of individual failings. People should have confidence that their governments and businesses are governed according to strong, globally-accepted principles.

5 | EMBRACE MULTICAPITALISM AND INTEGRATED REPORTING IN ALL G20 COUNTRIES

- Call for global adoption of the International Integrated Reporting Framework to bring about a multicapitals approach to decision making and reporting that aligns outcomes with the G20 priorities of sustainable and inclusive development. A multicapitals lens of sustainability and performance in economies covering various capitals, including human, natural, social and relationships capitals, helps to ensure that over the long term, value can be created for shareholders, customers, employees, society, and the natural environment.

Integrated reporting is an opportunity to focus on long-term value creation, and to fix a largely fragmented, complex and compliance driven system—moving the emphasis of economic decision making toward measures and thinking needed to achieve the SDGs. Integrated reporting is founded on integrated organizational thinking, and more likely to align capital allocation and corporate behavior to the wider goals of financial stability and sustainable development. Now is the time to embrace the International Integrated Reporting Council’s Framework to achieve these vital objectives.

“IN TODAY’S GLOBALISED ECONOMY, CROSS-BORDER ISSUES ARE BECOMING INCREASINGLY COMPLEX AND CHALLENGING. MULTI-DIMENSIONAL, TRANSNATIONAL POLICY ISSUES INCLUDE TACKLING CLIMATE CHANGE AND OTHER ENVIRONMENTAL PROBLEMS, MANAGING HEALTH THREATS SUCH AS PANDEMICS AND ANTIMICROBIAL RESISTANCE, FIGHTING TAX EVASION AND AVOIDANCE, STRENGTHENING FINANCIAL MARKET AND ECONOMIC STABILITY, UNDERPINNING FAIR TRADE, AND ADDRESSING THE IMPACTS OF NEW TECHNOLOGIES THAT ERASE DISTANCES AND BORDERS, AMONG OTHERS.”

— *The Contribution of International Organisations to a Rule-Based International System*, OECD, 2019



6 | ENHANCE PUBLIC SECTOR FINANCIAL MANAGEMENT

- Adopt accrual-based financial reporting with International Public Sector Accounting Standards (IPSAS) for all public sector entities.
- Establish a working group to examine public sector financial reporting consistency, transparency and accountability and recognize IPSAS as key for sound financial systems and deserving of priority implementation.

WHY ACCRUAL-BASED PUBLIC SECTOR ACCOUNTING?

Accounting is the language in which governments communicate their financial performance and position. Converting from a cash-based to an accrual-based form of accounting will result in a more accurate overall picture of national income, costs, assets and obligations. This would increase governments' transparency and accountability, strengthen their public financial management, and improve their financial decision-making capacities.

Three-quarters of OECD countries have adopted accrual accounting for government year-end reports (see [Accrual Practices and Reform Experiences in OECD Countries](#)), although only a quarter prepare annual budgets on an accrual basis. More than one-third use IPSAS as a primary or explicit reference for developing their national standards.



“AGAINST A BACKDROP OF INCREASED CITIZEN DEMAND, MORE OPEN GOVERNMENT, AND LIMITED PUBLIC SPENDING ON CAPACITY, HIGH-QUALITY FINANCIAL REPORTS ARE ESSENTIAL TO ENSURE THAT GOVERNMENTS MAKE FISCAL DECISIONS BASED ON UP-TO-DATE INFORMATION.”

— OECD & IFAC, [Accrual Practices and Reform Experiences in OECD Countries](#)



HEIGHTENED TRANSPARENCY

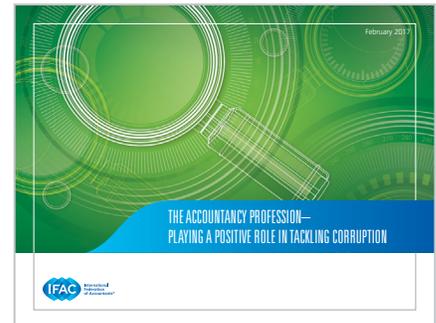
7 | COLLABORATE TO TACKLE CORRUPTION AND ADVANCE RESPONSIBLE CONDUCT

- Put a spotlight on bribery and corruption by enhancing government and public sector financial management, including implementing accruals-based financial reporting in accordance with high-quality international standards.
- Commit to developing and implementing best practices and guidelines for whistleblower protection and transparency of public governance information.
- Create a formal mechanism for interchange between international regulatory and policy bodies and the private sector, focused on financial crime/anti-money laundering and anti-bribery, data protection/privacy, and review of the effectiveness and impact of related regulation.



A recent IFAC study highlights that while a stronger accountancy profession is positively correlated with better outcomes in tackling corruption, the role of government, business, and legal frameworks underpin effectiveness. This demands collaboration across public and private sectors and implementing sound whistleblower protections and incentives.

Source: [The Accountancy Profession: Playing a Positive Role in Tackling Corruption](#), IFAC, 2017



“ACCOUNTANTS ARE A VITAL ASSET IN THE FIGHT AGAINST CORRUPTION.”

— Laura Alonso, Head of the Argentine Anti-Corruption Office, at the 2018 IFAC-B20 Buenos Aires Anti-Corruption Compact

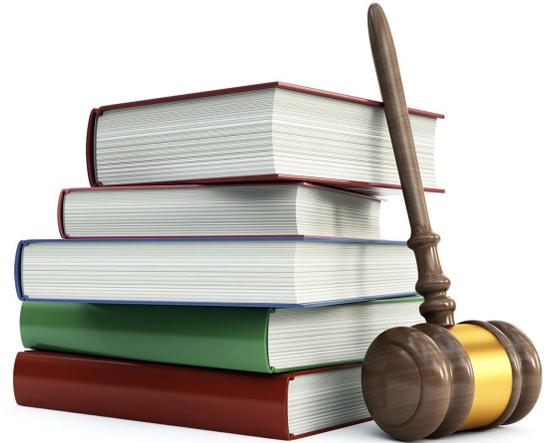


In July 2018, the International Federation of Accountants and International Bar Association signed an Anti-Corruption Mandate committing to the vital role of global professions tackling corruption worldwide.

Our organizations collectively represent the legal and accounting professions across the G20 and more than 170 jurisdictions throughout the world, playing a vital role in training, educating and supporting our professions to uphold the highest levels of integrity and ethical standards.

Corruption is a major threat to economic stability and growth, to the trust of citizens in public and private institutions they rely on for order, justice and essential services, and to citizens' ability to make a better life for themselves and prosper.

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, upholding the Rule of Law and the core values of our professions, and provide support to facilitate national and international cooperation and to improve monitoring and enforcement systems.



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.

Source: [The IBA and IFAC Anti-Corruption Mandate](#), IFAC and IBA, 2018

“COLLECTIVE ACTION TO FIGHT CORRUPTION MUST BE A JOINT GOAL OF GOVERNMENTS, BUSINESS AND CIVIL SOCIETY.”

— B20 & C20, *Joint Statement on Implementation of National Anticorruption Strategies*

INCLUSIVE GROWTH

“WE REAFFIRM OUR PLEDGE TO USE ALL POLICY TOOLS TO ACHIEVE STRONG, SUSTAINABLE, BALANCED, AND INCLUSIVE GROWTH, AND SAFEGUARD AGAINST DOWNSIDE RISKS, BY STEPPING UP OUR DIALOGUE AND ACTIONS TO ENHANCE CONFIDENCE.”

—G20 Leaders’ declaration, Building Consensus for Fair and Sustainable Development, Buenos Aires, December 1, 2018

8 | CREATE AN ENVIRONMENT FOR SMALL- AND MEDIUM-SIZED ENTITY GROWTH AND INCLUSIVENESS

- Enhance SME access to the digital economy by investing in digital infrastructure and fostering innovation.
- Recognize as a priority facilitating entrepreneurial and business skills development and increasing awareness of the importance of business transfers and succession planning.
- Renew the commitment made by G20 countries to implement key SME policies, including the G20/OECD High Level Principles on SME Financing and the G20 High Level Principles on Digital Financial Inclusion.

SMEs are the engines of economic growth and innovation globally. An improved business environment for SMEs, as well as appropriate support to achieve greater productivity, is essential. The knowledge base on SME needs should be expanded and SME perspectives must be heard and considered at all levels of policy making. We implore the G20 to increase the priority given to SME growth and inclusiveness.

9 | CREATE A SECURE AND DIGITAL-READY INVESTMENT ENVIRONMENT

- Encourage access to professional intermediaries with expertise in risk management and internal control, including cybersecurity.
- Promote focused investment in secure technology infrastructure to enable businesses, governments and citizens to transact and participate in a secure and trusted digital environment.
- Establish new education models that address the skills required of the digital workplace, such as in data security and analysis and cognitive computing.



10

COLLABORATE FOR A COHERENT INTERNATIONAL TAX SYSTEM

- Urgently renew efforts for coordinated implementation of the OECD Base Erosion and Profit Shifting (BEPS) Actions.
- Implement a properly resourced international taxation dispute resolution mechanism.

Efforts to address BEPS have been swift and achieved groundbreaking consensus. This must now be translated into coordinated policy. Public concern remains high in many regions, and trust must be restored for meaningful collaboration.

“ON BEHALF OF THE GLOBAL ACCOUNTANCY PROFESSION, WE ARE COMMITTED TO ADVANCING A GLOBAL TAX SYSTEM THAT IS TRUSTED, RELEVANT AND RESILIENT TO THE EVOLVING NEEDS OF THE 21ST CENTURY.”

Imperative #1:

Global collaboration is essential

Imperative #2:

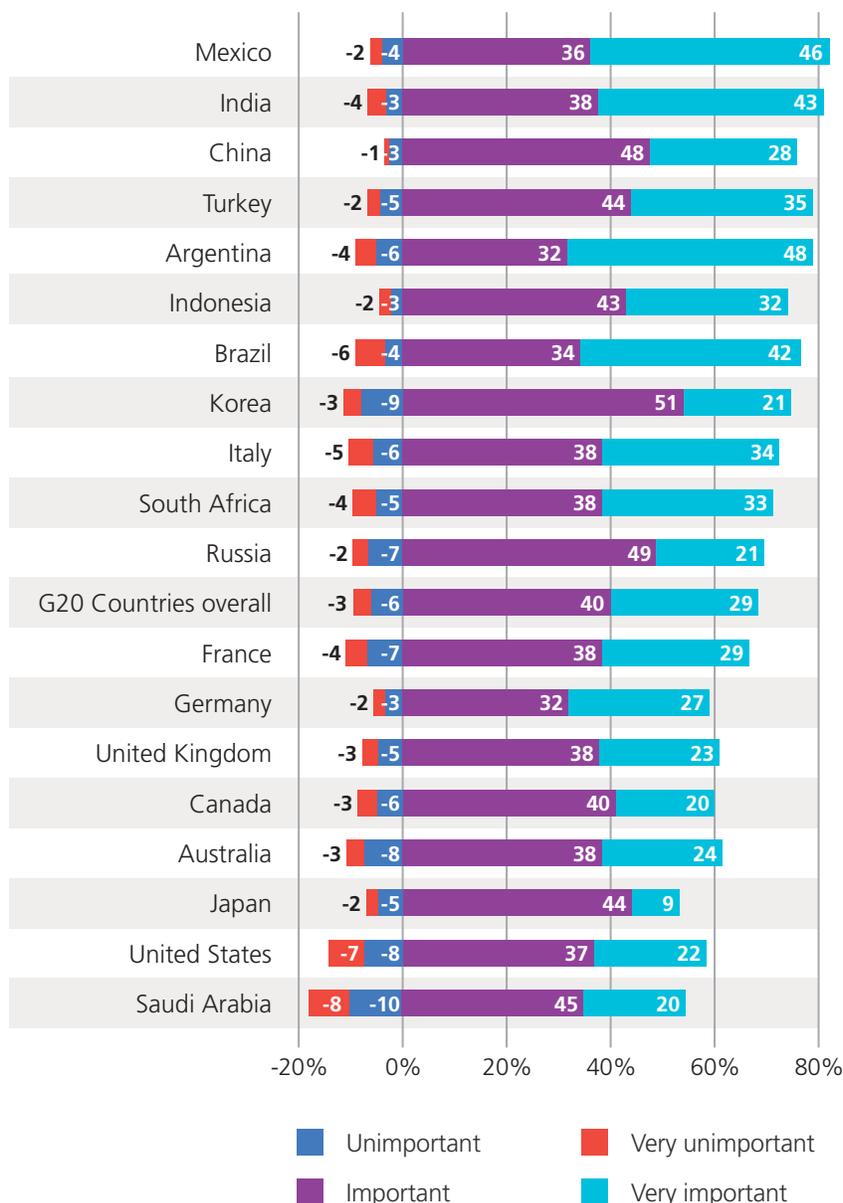
Learn from the past to shape the future

Imperative #3:

Develop tax policy that enhances trust

— [Three Imperatives for Taxing the Digital Economy](#), Kevin Dancey, IFAC Chief Executive Officer

G20 CITIZENS VIEWS ON THE IMPORTANCE OF THEIR GOVERNMENTS COLLABORATING ON TAX POLICY FOR A MORE COHERENT INTERNATIONAL SYSTEM (BY PERCENT)



Source: IFAC, Association of Chartered Certified Accountants, Chartered Accountants Australia New Zealand



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