Promoting Trust for Sustainable Growth

After successful events in other Latin America nations over the last 10 years, Contabilidad y Responsabilidad para el Crecimiento Económico Regional (CReCER, or Regional Conference on Accountability for Regional Economic Growth in Latin America and the Caribbean) returned to Mexico again in 2017.

The event was hosted by the Instituto Mexicano de Contadores Públicos and the Colegio de Contadores Públicos de México, and organized by the World Bank, Inter-American Development Bank, Global Public Policy Network, and the International Federation of Accountants with the support of global accounting firms with business in our country.

The central theme this year, Promoting trust for sustainable growth, emphasized the need to reverse the erosion of trust in institutions by building a solid regulatory environment that promotes transparency, accountability, and the use of best international practices. A fundamental pillar in achieving this is the collaborative work of all those involved in the production of reliable, transparent, and accessible financial and non-financial information, which preparers, auditors, regulators, and especially the accounting profession have an essential role in.

The definition of trust implies the belief that a person or group of people will be able and willing to act appropriately in a certain situation. In that sense, the accounting profession protects the public interest through the services we provide. Such services guarantee quality throughout the value chain process in order to generate relevant reports for decision making.

According to the well-known academic Ken Blanchard’s article “Building Trust,” the four key elements to build or restore trust are:

- Competence
- Integrity
- Responsibility
- Protection of the public interest

These elements help reinforce how the accounting profession can restore trust. And this is why the accounting profession at a global level, through the independent standard-setting boards, issue high-quality international standards and guidelines. These standards and guidance help build professional organizations and solid accounting firms that support high-quality practices and information, and ensuring competent professional accountants able to support the effective functioning of capital markets.

Currently, the main demand from users of financial information is the focus on an entity’s ability to prove that management is able to understand and manage the entity’s risks and survive in a highly volatile environment, principally by having sufficient governance mechanisms in place to monitor operations. The presence of these factors can help prevent both internal and external fraud and the potential misuse of an entity's resources.
– providing greater protection for shareholders’ interests and indirectly can provide greater stability for employees and management. A failure to understand an entity’s risks or inability to implement appropriate governance mechanisms may harm the interests of stakeholders and ultimately could damage the overall business ecosystem in which these individual groups exist.

Faced with this challenge, the accounting profession has responded with very important initiatives that improve the disclosure of information on financial risk, corporate governance, and key audit matters in corporate reports. These modifications can include:

- Disclosure of financial risks in Financial Statements (e.g., market, credit, liquidity, and cash flow) in order to evaluate the possibility of a future event that may cause changes in the values of assets or liabilities and, therefore, affect their operating results.
- Disclosure of corporate governance activities in the Management Report and its main material risks, including strategic, operational, financial, and environmental risks. The global trend toward integrated reporting seeks to capture the entity’s business model and explain how value is created through the transformation of the different capitals used (financial, physical, intangible, etc.). This report should include different material risks and their possible impact on the entity’s stakeholders.
- Disclosure in the independent Auditor’s Report of Key Audit Matters (KAM), which implies clients and auditors working closer together to start generating this information in the planning phase and discussing and matters with those charged with governance—that is, matters significant enough that they are key for audited entity. Although some entities may have similarities with others in the same industry, the identified KAM will not necessarily be the same for each client.

Through these initiatives, ongoing debate at events like CRECER and an enthusiasm to challenge what we do will help the accounting profession modernize and self-regulate on a global basis. Restoring and maintaining confidence is a task for all professional accountants since our collective reputation is an intangible asset that can be subject to high volatility: difficult to build and yet easy to deteriorate. It also has a network effect: an implied, guaranteed global level of quality from professional accountants.

### Compliance with International Requirements

**Benefits the Public Interest**

- Initial Professional Development
- Continuing Professional Development
- Code of Ethics
- International Auditing and Assurance Standards

**Trustworthy, Competent Professional Accountant**

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