



International Federation of Accountants

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March 28, 2009

The Group of Twenty (G-20) Finance Ministers and Central Bank Governors
Mr. Lesetja Kganyago, Director General of the South African National Treasury
Mr. Mike Callaghan, Special Envoy International Economy, Australian Treasury
c/o The G20 Secretariat
G20uk@hm-treasury.x.gsi.gov.uk

Re: Recommendations for Working Group 3 – Reforming the IMF

Dear Chairmen,

With the global economy in crisis, the G20 is uniquely situated to provide leadership and vision, and effect change to financial systems at an international level. This letter is in response to the G20's *Declaration from the Summit on Financial Markets and the World Economy* issued on November 15, 2008. It is designed to support G20 leaders with recommendations that assist in developing solutions that lead to a more stable financial system.

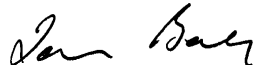
The International Federation of Accountants (IFAC) is the global organization for the accountancy profession. IFAC is comprised of 157 members and associates in 122 countries and jurisdictions.¹ Through them, we represent approximately 2.5 million accountants in public practice, education, government service, industry, and commerce. IFAC, through its independent standard-setting boards, and in conjunction with the international regulatory community, sets international auditing and assurance, ethics, education, and public sector accounting standards. IFAC also issues guidance to encourage high-quality performance by professional accountants in business.

We believe that the accountancy profession will have an essential role to play in resolving the current crisis and in building a reformed international financial system. Therefore, IFAC would like to support the G20 in its work in facilitating change throughout the world. In doing so, we are submitting separate letters (of which this is one) to three of the four G20 Working Groups. In each letter, we provide recommendations in response to the general objectives stated in the G20's *Declaration from the Summit on Financial Markets and the World Economy* issued on November 15, 2008.

¹ For a list of professional accountancy institutes from G20 nations with membership in IFAC please refer to *Appendix A* of this letter.

Please advise us should you require further information or supporting detailed proposals on any of the recommendations made in this document. We would welcome the opportunity to contribute to the activity that will be needed subsequent to the April 2 G20 meeting to bring about the needed changes in the international financial system.

Sincerely,

A handwritten signature in black ink, appearing to read "Ian Ball". The signature is written in a cursive, flowing style.

Ian Ball
Chief Executive Officer

Summary of the Recommendations to Working Group 3

1. We recommend that the G20 require that the International Monetary Fund's (IMF) *Code of Good Practices on Fiscal Transparency* be strengthened through the application of International Public Sector Accounting Standards (IPSASs).
2. We recommend that the G20 support the IMF/World Bank Reports on Observance of Standards and Codes (ROSC) initiative.

The following section expands on the recommendations summarized above for purposes of Working Group 3:

- 1. We recommend that the G20 require that the International Monetary Fund's (IMF) *Code of Good Practices on Fiscal Transparency* be strengthened through the application of International Public Sector Accounting Standards (IPSASs).**

One of the results of the financial crisis is that governments in many countries have invested heavily in the private sector. Governments have also given a range of guarantees and assumed debt and other assets. It will be important for taxpayers and the general public to understand the full impact of decisions made by governments with respect to their financial performance, position and cash flows. The IMF *Code of Good Practices on Fiscal Transparency* (the Code) requires only that the annual budgets and final accounts declare whether they are following a cash basis or some form of accrual accounting.² We believe that the Code should be strengthened through the application of IPSASs. In the case of the G20 countries, considering the nature of the transactions in which they have recently engaged, we believe they should adopt the accrual based IPSASs.

The IPSASs are designed to apply to the general-purpose financial statements of all public sector entities. Public sector entities include national governments, regional governments, local governments and their component entities (for example, departments, agencies, boards, commissions). IPSASs are converged with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) by adapting them to a public sector context when appropriate. The adoption of IPSASs by governments will improve both the quality and comparability of financial information reported by public sector entities around the world.³ The IPSASs are currently used by the United Nations, Organization for Economic Cooperation and Development (OECD), North Atlantic Treaty Organization (NATO), INTERPOL, and the governments of South Africa, Switzerland and, to varying degrees, a number of other jurisdictions.

Should the G20 require further information or supporting detailed proposals concerning the adoption and implementation of IPSASs, IFAC would welcome the opportunity to contribute to the activity that will be needed subsequent to the April 2 G20 meeting.

² The International Monetary Fund, *Code of Good Practices on Fiscal Transparency*, 2007, <http://www.imf.org/external/np/pp/2007/eng/051507c.pdf>.

³ The International Federation of Accountants (IFAC); International Public Sector Accounting Standards Board (IPASB); *Preface to International Public Sector Accounting Standards*; 2008.

2. We recommend that the G20 support the IMF/World Bank Reports on Observance of Standards and Codes (ROSC) initiative.

In light of the financial crisis, the G20 should support global initiatives to strengthen the international financial architecture. As an international standard setter, IFAC encourages the G20 to support the ROSC initiative, which is a joint IMF/World Bank undertaking designed to assess the observance of selected standards relevant to private and financial sector development and stability. Standards play a central role in the following:

- Enhancing transparency and identifying weaknesses that may contribute to economic and financial vulnerability;
- Facilitating market efficiency and discipline; and
- Providing key benchmarks to guide policy reform.

The ROSC initiative covers a set of twelve internationally recognized core standards and codes relevant to economic stability and private and financial sector development. IFAC believes that the ROSC initiative provides necessary and highly useful information to all parties involved in the implementation of standards and should be a valuable asset to the G20 as a tool, in the future, to assess markets and measure the effectiveness of economic reforms resulting from the current financial crisis.

We believe all countries could benefit from the ROSC assessment process. Further, a comprehensive program of implementation and follow up of recommendations from the ROSC assessments is essential to effecting the needed reforms and improvements.

List of Professional Accountancy Institutes from G20 Nations with Membership in IFAC

Argentina

- Federación Argentina de Consejos Profesionales de Ciencias Económicas

Australia

- CPA Australia
- The Institute of Chartered Accountants in Australia
- National Institute of Accountants in Australia

Brazil

- Conselho Federal de Contabilidade
- Instituto dos Auditores Independentes do Brasil

Canada

- The Canadian Institute of Chartered Accountants
- Certified General Accountants' Association of Canada
- CMA Canada

China

- The Chinese Institute of Certified Public Accountants

France

- Compagnie Nationale des Commissaires aux Comptes
- Conseil Supérieur de l'Ordre des Experts-Comptables

Germany

- Institut der Wirtschaftsprüfer
- Wirtschaftsprüferkammer

India

- The Institute of Chartered Accountants of India
- The Institute of Cost and Works Accountants of India

Indonesia

- Indonesian Institute of Accountants or Ikatan Akuntan Indonesia

Italy

- Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili

Japan

- The Japanese Institute of Certified Public Accountants

Mexico

- Instituto Mexicano de Contadores Públicos, A.C.

Russia

- The Institute of Professional Accountants of Russia
- Russian Collegium of Auditors

Saudi Arabia

- Saudi Organization for Certified Public Accountants

South Africa

- The South African Institute of Chartered Accountants
- The South African Institute of Professional Accountants

South Korea

- Korean Institute of Certified Public Accountants

Turkey

- Expert Accountants' Association of Turkey
- Union of Chambers of Certified Public Accountants of Turkey

United Kingdom

- The Association of Chartered Certified Accountants
- The Chartered Institute of Management Accountants
- The Chartered Institute of Public Finance and Accountancy
- The Institute of Chartered Accountants in England & Wales
- The Institute of Chartered Accountants of Scotland

United States

- American Institute of Certified Public Accountants
- National Association of State Boards of Accountancy