

TRUST AND INTEGRITY

THE ACCOUNTANCY PROFESSION'S
CALL FOR ACTION BY THE G-20

G-20 Leaders' Summit



“Defeating corruption—and thus immeasurably improving the lives of citizens—can only be achieved through re-energized collaboration between, and commitment of, leaders from both the public and private sectors.”

– Olivia F. Kirtley, IFAC President

“IFAC has always stressed that governments, businesses, and the regulatory community across the globe must work together, cooperatively, to respond to the challenges being faced by our interconnected financial markets and economies.”

– Fayezul Choudhury, IFAC CEO

IFAC serves the public interest and strengthens the accountancy profession by:

- Supporting the development of high-quality international standards;
- Promoting the adoption and implementation of these standards;
- Building the capacity of professional accountancy organizations; and
- Speaking out on public interest issues.

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Foreword



STRONGER GOVERNANCE FOR TRUST AND INTEGRITY IN BUSINESS AND GOVERNMENT

A COOPERATIVE, CONSISTENT GLOBAL REGULATORY ENVIRONMENT



2016 is a crucial year for G-20 countries and the global economy, with new opportunities to create an environment of sustainable, inclusive growth. Given the increasingly interconnected economy, achieving this kind of growth depends on improving integrity and transparency and, in turn, restoring trust in business and government alike.

Accountancy plays a critical role in achieving transparency in the global economy, contributing almost USD \$600 billion in gross value added each year, and enabling capital flows, economic activity, and higher standards of living.

Organizations and individuals must be empowered by strong governance in the business and public sectors, underpinned by a coherent public policy and regulatory environment. To these ends, the global accountancy profession calls on the G-20 to enhance sustainable growth through:

- Stronger governance for trust and integrity in business and public sector; and
- Creation of a cooperative, consistent, and smart global regulatory environment.

Strong financial management, transparency, accountability and enhanced governance are essential for sustainable, long-term economic growth that benefits the world's citizens. IFAC urges policy consensus backed up by ongoing cooperation among G-20 countries and across the globe.

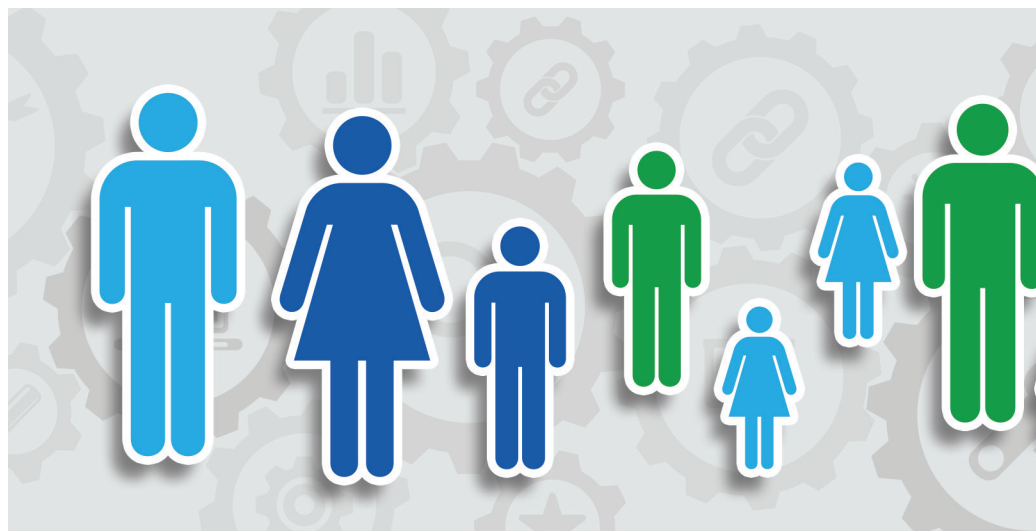
Handwritten signature of Olivia F. Kirtley in black ink.

Olivia F. Kirtley
President

Handwritten signature of Fayezul Choudhury in black ink.

Fayezul Choudhury
Chief Executive Officer

Stronger Governance for Trust and Integrity in Business and the Public Sector



Strong governance is crucial to trust and integrity in all sectors of the global economy. It is the foundation for recovery, growth, and stability, and is essential to the global fight against fraud and corruption. It enhances governments' decision making, supports disclosure of more valid information, and promotes more robust conduct and ethical behavior.

Proposed G-20 Resolutions. The G-20 should adopt the following resolutions during its upcoming meeting:

1

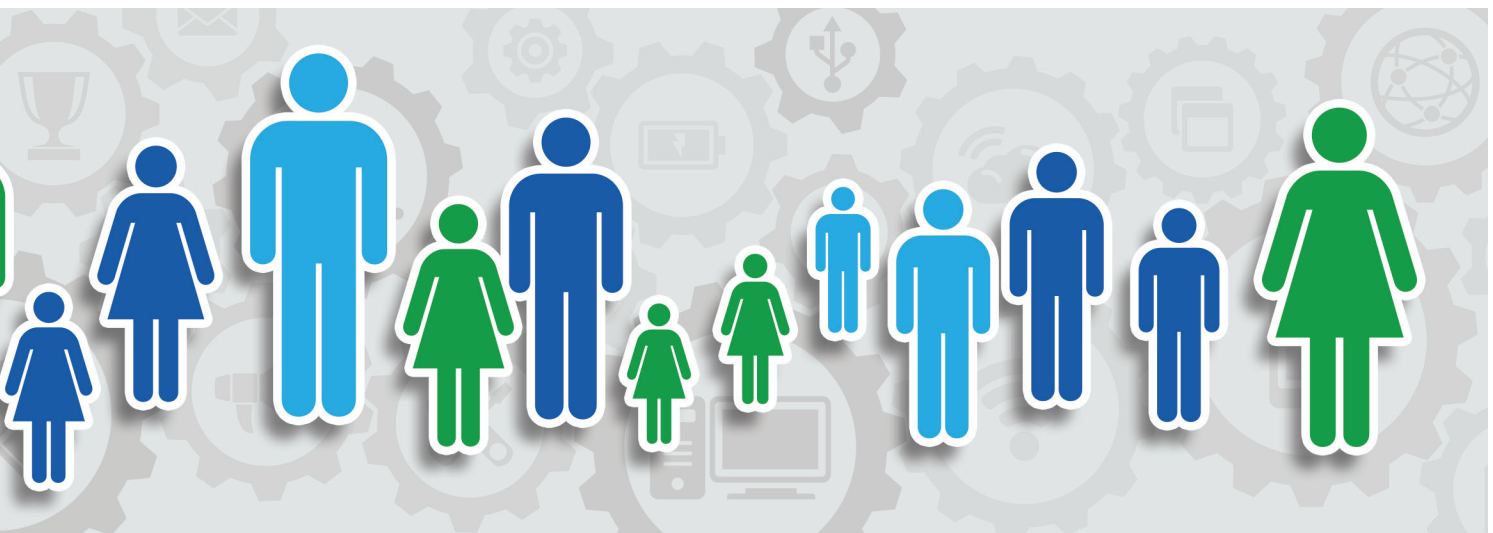
- **STRENGTHEN GOVERNANCE.** Acknowledge that strong governance in the public and private sectors is at the heart of accomplishing the G-20 objectives of recovery, growth, and stability, as well as combatting fraud and corruption and restoring public trust and integrity.

2

- **ENHANCE PUBLIC SECTOR FINANCIAL MANAGEMENT:**
 - Actively encourage and facilitate the adoption of accrual-based accounting, and International Public Sector Accounting Standards (IPSAS), by all governments and public sector institutions.
 - Require the Financial Stability Board to encompass the public sector; establish a working group to examine public sector financial reporting, transparency, and accountability; and recognize IPSAS as key for sound financial systems and deserving of priority implementation.

Strong public sector financial management results in better decision making, stronger and more sustainable services, and helps citizens hold their governments to account. Inadequate public sector financial management and poor government transparency and accountability remain a significant problem in many countries, which must be addressed to restore the public's trust.





3

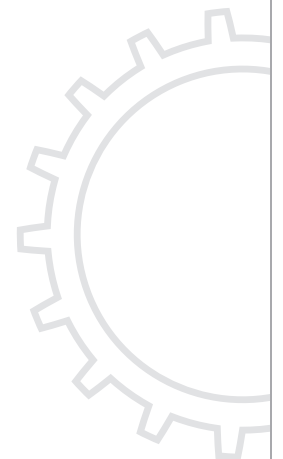
- **PROMOTE INTEGRATED REPORTING.** Call for global use of the International Integrated Reporting Framework to promote integrated thinking and a more coherent corporate reporting system.

Integrated reporting is an opportunity to bring about a more coherent corporate reporting system, and to promote integrated thinking within organizations, leading to greater transparency and effectiveness in the global economy. Now is the time for the International Integrated Reporting Council's (IR) Framework to be embraced to achieve these vital objectives worldwide.

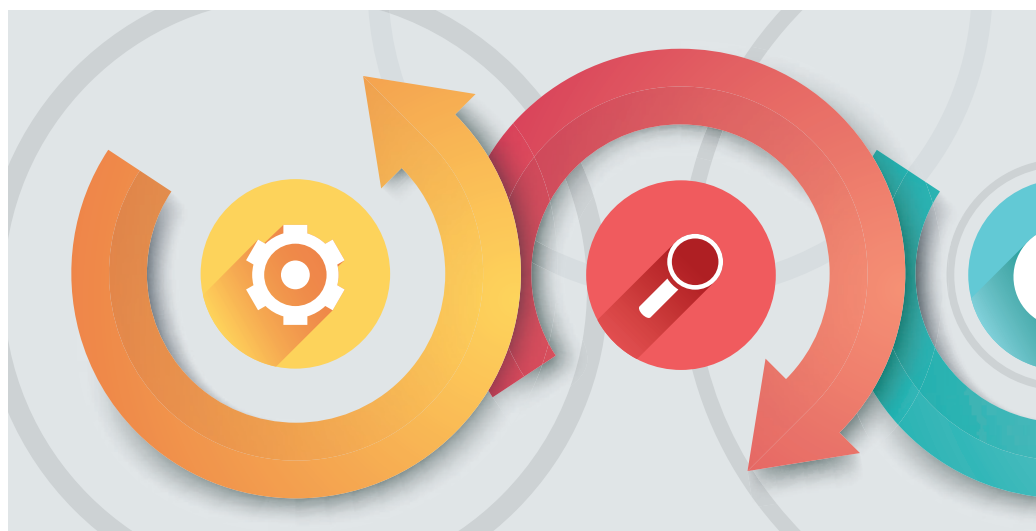


“Bringing an end to the notion that ‘silence is always safer’ requires greater focus on strong governance and compliance structures, environments that are encouraging for self-reporting, and protections that apply to everyone working with any organization or for any profession. We must all seek to empower individuals to do the right thing.”

– Olivia F. Kirtley, IFAC President, addressing the Organisation of Economic Co-operation and Development (OECD) Ministerial Meeting on the Anti-Bribery Convention, March 2016.



A Cooperative, Consistent Global Regulatory Environment



International cooperation and consistency are essential—regulatory fragmentation stifles growth, and poses deep risks to the global economy. Public trust is vital to creating the political impetus for meaningful cooperation on regulation.

Greater cooperation and consistency improves efficiency of business and regulation, promotes cross-border financial flows, and enhances the prospects of a globally coordinated response to future crises.

Proposed G-20 Resolutions. The G-20 should adopt the following resolutions during its upcoming meeting:

1

- **PROMOTE GOOD REGULATION.** Develop and promote the global adoption of clear principles for good regulation, against which rule making and regulatory performance may be assessed.

PRINCIPLES FOR GOOD REGULATION

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

The principles were identified by senior executives and experts from regulatory agencies, financial markets, government, academia, listed companies, investment funds, and the accountancy profession at a 2015 roundtable in Hong Kong convened by IFAC in partnership with the Hong Kong Institute of Certified Public Accountants. Additional information is available on the IFAC website, www.ifac.org.



“The BEPS Project presents a rare opportunity to cooperatively make international taxation work genuinely better in today’s globalized, digital economies. Success or failure will likely hinge on the effectiveness of international collaboration, without which we may end up with more complexities, divergences, and gaps than when we started.

– Russell Guthrie,
IFAC Executive Director



2

- **ACKNOWLEDGE THE IMPORTANCE OF INTERNATIONAL STANDARDS.** Issue a clear call for the adoption and implementation, across all jurisdictions, of:
 - International Financial Reporting Standards;
 - International Standards on Auditing;
 - Auditor independence requirements set out in the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants; and
 - International Public Sector Accounting Standards.

3

- **ENHANCE GLOBAL CONSISTENCY.** Issue a clear call for significantly improved global consistency in the implementation of financial regulation and globally recognized standards.

High-quality, internationally-accepted, standards are crucial to enhance confidence, growth, and stability in the global economy and financial system.



4

- **CALL FOR COOPERATION ON TAXATION.** Issue a renewed strong call for cooperation and inclusiveness in international taxation policy, including in implementing the OECD Base Erosion and Profit Shifting (BEPS) actions, and urgently consider the need for reaching international agreement on a properly resourced taxation dispute resolution mechanism.

G-20/OECD efforts to address BEPS have been swift and achieved groundbreaking consensus, but that must now be translated into coordinated policy. Public concern remains high in many regions, and trust must be restored for meaningful collaboration.



5

- **ESTABLISH A PERMANENT G-20 SECRETARIAT.** The G-20 has been key to promoting cooperation and addressing global economic challenges since its inception. A permanent secretariat may enhance the capacity to follow through on the consensus achieved, and to maintain the continuity of the dialogue.

About IFAC

The International Federation of Accountants® (IFAC®) is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of more than 175 members and associates in more than 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry, and commerce.



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