



INSTITUTE OF
**PUBLIC
ACCOUNTANTS®**

Submission to IFAC on Strategic Plan 2021 and Beyond

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Dear Russell

IFAC Strategic Plan for 2021 and Beyond – consultation

The Institute of Public Accountants (IPA) Group welcomes the opportunity to provide our comments and feedback on IFAC's *Strategic Plan for 2021 and Beyond*.

The IPA is one of the three professional accounting bodies in Australia, representing over 38,000 members and students in Australia and in over 80 countries. Approximately three-quarters of the IPA's members work in, or are advisers to, the small business and small-to-medium enterprise (SME) sectors. The IPA Group, which includes the Institute of Financial Accountants (UK) and the Association of Accounting Technicians, represents the largest accounting body in the world focused on the small business and SME sectors.

In 2015, the IPA established the IPA Deakin University SME Research Centre to undertake academic research to inform and develop the IPA's policy, advocacy and thought leadership on a wide range of issues relevant to the Australian and global economies.

Overall, we believe that IFAC's *Strategic Plan 2021 and Beyond* is supportive of the vision and mission of IFAC and is well-positioned to take IFAC, its member organisations and the accountancy profession into the future. Our comments are made in response to certain sections of the Strategic Plan and the questions posed in the consultation cover note.

What have you most valued from IFAC during the current strategy period (2019-20)?

IFAC appears to have been revitalised over the last 12-18 months and has become more visible and accessible. The outreach (including social media), resources, tools and thought leadership have been useful and effective. The continuing work on achieving the United Nations (UN) Sustainable Development Goals (SDGs) has also been welcome.

What would you most value from us in the future?

We would value more of what has been delivered over the last 12 months. A renewed vigour and energy to mobilise member bodies and stakeholders will make a greater difference in achieving the SDGs by 2030.

IFAC's key outcomes and alignment with the SDGs.

The IPA applauds IFAC in seeking to align its key outcomes, objectives and day-to-day activities with the SDGs. We believe this has the ability to propel IFAC into being one of the most prominent and

influential global organisations, whilst at the same time highlighting the unique position of the accountancy profession to achieve progress on a monumental scale. IFAC could become a household name associated with progress, innovation, entrepreneurship, equality, access, justice and boldness.

Do you believe that the linkages between IFAC's key outcomes and the SDGs is appropriately illustrated as presented on page 5 of the draft plan? If not, do you believe IFAC should attempt to specify the direct and indirect linkages between its key outcomes and the SDGs?

We believe that the illustration on page 5 is appropriately illustrated. In any event, the direct and indirect linkages between IFAC's key outcomes and the SDGs should be self-evident. Further detail on the linkages can be illustrated in a specific SDG related plan, annual reviews or in operational plans. However, it might be that IFAC is missing an opportunity to go beyond the immediate concerns of the profession in considering these linkages. IFAC's unique position should be fully leveraged to contribute directly and indirectly to achieving the SDGs. The accountancy profession should be outward looking, not as accountants, but as people with unique skills, insights and expertise and as a significant collective force which can achieve change on a global scale.

Removing timebound plan

We believe that the approach of having 'a timeless strategic framework to drive timely strategic action' is progressive and encourages the right mindset for agility and adaptability, or, as stated in the Strategic Plan, the ability to 'anticipate, react and evolve'. In the current uncertain environment, these traits are, and will continue to be, critical for all organisations including IFAC and its member organisations. In addition, an annual review may provide a more efficient and timely process than a full-scale strategic review every two to five years. These annual reviews, combined with continuous improvement and real-time feedback, should enable the strategy to remain relevant and effective.

Aligning Strategic Objectives with SDGs

We agree with the comments made in the consultation cover note that the work of IFAC, member bodies and the accountancy profession impacts, at least indirectly, on all of the SDGs. However, we also contend that the work directly impacts some of the SDGs, particularly numbers 4 (quality education), 8 (decent work and economic growth), 10 (reduced inequalities), 16 (peace, justice and strong institutions) and 17 (partnerships for the goals). In particular, SDG 8 is critical to lifting living standards, which, in turn, would assist in achieving other SDGs such as SDG 1 (no poverty), SDG 2 (zero hunger), and SDG 3 (good health and well-being) and, arguably, underpins most if not all of the SDGs. Also, SDG 16 supports the other SDGs in that strong institutions including a legal system, stable financial system and well-functioning markets are all integral to economic growth. Further, as noted by IFAC, without partnerships, nothing can be achieved. IFAC is essentially a 'partnership' of accounting bodies, which could take centre stage in achieving SDGs 8, 16 and 17.

It may be a matter of definition or degree whether there is an indirect or direct impact. The main objective is to advance achievement of the goals through a collective impact.

The IPA believes that developing specific projects and initiatives based on, and directly linked to, certain SDGs, targets and indicators may be a more fruitful approach. This would certainly make the linkages direct and more obvious.

For instance, IFAC and the profession together with an alliance of stakeholders are well placed to consider initiatives focused on:

Indicator 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises (MSMEs), including through access to financial services. Formalisation and growth of MSMEs, including through access to finance, should be 'bread and butter work' for many in the profession. Developing policies to support this should be an integral part of the advocacy effort of IFAC and its member bodies, so that we are all largely consistent, linked and vocal in our efforts.

Indicator 10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality. IFAC and member bodies are well placed to be directly involved in initiatives to achieve this SDG, at a global and domestic level.

Indicator 10.5: Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations. This can be supported by 10.5.1: Financial Soundness Indicators.

Indicator 10.6: Ensure enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions. IFAC can and does implement this within its own model and can become a role model for other organisations.

Indicator 15.5: Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species. Activities such as illegal logging, illegal fishing, trafficking in wildlife and endangered species (and progressively non-endangered species) are facilitated by money laundering across many jurisdictions. By strengthening and promoting the implementation of anti-money laundering laws and actions, IFAC and the profession can do more to prevent 'green crime' and indirectly achieve SDG 15 (life on land).

Indicator 16.5: Substantially reduce corruption and bribery in all their forms. NOCLAR is an example of the accountancy profession taking a lead in achieving SDG 16.

Indicator 16.6: Develop effective, accountable and transparent institutions at all levels. We note that IFAC contributes to the agenda and discussion on issues before the G20 and B20. IFAC could also contribute to the reform of global bodies such as the UN, World Trade Organization, International Labour Organization and so on. It could also become involved in issues of financial accountability and transparency.

Indicator 17.1: Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.

Areas of cooperation and collaboration for IFAC and the profession include those listed in the Goals and Targets — finance, technology, capacity-building, trade, and systemic issues (policy and institutional coherence; multi-stakeholder partnerships; data, monitoring and accountability). All of these are a natural fit for the accountancy profession.

In summary, IPA is pleased that IFAC has decided to anchor its strategy to the SDGs. We believe there are numerous opportunities to make a significant contribution toward the 2030 achievement of the SDGs.

The IPA has promoted the SDGs for a number of years, through collaboration with other organisations including the International Council for Small Business (ICSB), UN (especially UN Conference on Trade and Development (UNCTAD) and UN Department of Economic and Social Affairs (DESA)); has undertaken thought leadership and research with the IPA Deakin SME Research Centre; and has released ongoing media and communications. More recently, SDG 13 (climate

action) and SDG 15 (life on land) have weighed heavily in our work due to the catastrophic bushfires experienced in Australia during late 2019 to early 2020.

Our work will continue through the newly established IPA-ICSB Knowledge Hub which provides a structured platform for collaboration between researchers, educators, policy-makers and practitioners. ICSB has a significant focus on, and involvement with, the achievement of the SDGs and has worked closely with UNCTAD, DESA, OECD and other global organisations to bring about positive change for small businesses and SMEs around the world. In fact, it is open to IFAC to establish its own Knowledge Hub with ICSB. For more information refer to, <https://icsb.org/khubs/>

Strategic Objectives

The Strategic Objectives contained in the Strategic Plan are well articulated and relevant, as are the comparative advantages — Global Convenor, Knowledge Gateway and Influential Voice.

The Strategic Objective of *Leading and developing a future-ready profession* should address the top global challenges revealed by the latest IFAC SMP Survey (2018). These are: 48 per cent stated pressure to lower fees; 46 per cent stated attracting new clients and retaining existing clients; 46 per cent stated differentiating from competition; and 45 per cent stated keeping up with regulations and standards. The ongoing resources developed by IFAC for SMPs to address these and other challenges have been very welcome.

Mental well-being

The IPA suggests also including a clear linkage to well-being, both physical and mental well-being. Accountants are the major intermediary for small business owners and operators and are relied upon to ease financial stress, which according to research is linked to mental and emotional stress. After encouraging early results, the IPA is now engaged with private, public and academic partners in a major research project which assesses the extent of this relationship and how accountants can be trained and equipped to act within the scope of their role to improve the mental well-being of their small business clients. This is directly linked to SDG 3 (good health and well-being).

Concurrently, the Australian Government is undertaking extensive research and modelling into the overall economic and financial cost of mental health across the economy. Its economic impact is in the billions of dollars and results in far-reaching loss of productivity. In addition to SDG 3, this also relates to SDG 8 (decent work and economic growth).

We believe that the Strategic Plan should place a greater emphasis on physical and mental well-being and the role of the profession in achieving this. We appreciate this may be incorporated into operational or project plans within the scope of the Strategic Plan.

Human interface

The IPA also suggests that the Strategic Objectives should more clearly emphasise the human interface as the core value of the profession. This defines and reflects the public interest with an emphasis on the human connections and puts a face to the influential voice which IFAC embraces.

The role of MSMEs

Another suggestion for the Strategic Plan is to more clearly emphasise the importance of MSMEs and SMPs as key drivers across all economies and especially in the recovery from the current pandemic and in building resilient societies and economies well into the future. According to the ICSB, MSMEs

make up over 90 per cent of all firms and account, on average, for 70 per cent of total employment and 50 per cent of GDP, on a global basis. While it may be that this is inherent in the Plan, we believe that the importance of MSMEs and SMPs as key drivers across all economies should be clearly acknowledged.

The Strategic Plan (or operationalising it) could encompass the opportunities and challenges that need to be captured and addressed if we are to develop a better set of conditions for MSMEs than those which existed prior to the COVID-19 pandemic. This would include economic diversification, improvements in health care, digital acceleration, creating quality jobs, changes to education, a focus on social empowerment and so on. These are some of the key areas of work in Australia and in many countries, and which have, to some extent, been captured in the trends section of the Strategic Plan and which are linked to the SDGs.

We emphasise that SMEs are well placed to participate and contribute to the rebound and vibrancy in these areas. In fact, during World MSME Day 2020, the ICSB and UN described MSMEs as the ‘first responders to societal needs’.

IFAC has a role to play in answering the UN call for the ‘collective voice of MSME solidarity’. This call to action includes: developing guiding principles and metrics that will inform and create policies for MSMEs; ensuring that MSMEs have a voice and a direct share in the long-term discussion around MSMEs; and facilitating complete collaboration between all stakeholders. These are all directly linked to IFAC’s Strategic Objectives.

IFAC and member bodies also have a role to play in linking MSMEs with business ecosystems, supporting them to connect and secure support from government, research and private sector stakeholders. Our role is also important in helping MSMEs build governance structures and business development and recovery strategies as well as assisting in trade facilitation to link MSMEs with regional and global value chains.

We note that IFAC is supportive of the G20’s attempts to increase the priority given to SME growth and inclusiveness, including through its report *The Global Accountancy Profession’s Call to Action for G20 Leaders, Society 5.0*. IFAC’s work in the SME and SMP sectors is commendable, and we encourage greater focus on these sectors as IFAC operationalises the Strategic Plan and its work on achieving the SDGs.

The IPA has a particular interest in policy development, especially through the IPA Deakin SME Research Centre. We recognize that coherent policy environments can provide an enabling framework for inclusive and sustainable SME growth. Some of the key policy issues under (continuing) consideration, include taxation reform, industrial relations reform, trade policy (including the integration of SMEs in regional and global supply chains through trade facilitation), expanding access to finance, facilitating expanded market access, improving entrepreneurship and human capital development, regulatory reform to reduce costs, as well as supporting research and development for innovation. These are all linked to the SDGs and are consistent with policy areas being considered in many other jurisdictions.

Strategic Actions

The Strategic Plan describes leveraging IFAC’s unique position and measuring success in terms of the delivery of specific initiatives under each Strategic Action.

We note from the Integrated Annual Review 2018 that Strategic Actions and achieving the KPIs has included: increased mainstream and social media coverage; holding events such as the World Congress of Accountants which brought together 5,000 accountants; extensive thought leadership outputs; increased global outreach and engagement (including more recently a digital pivot due to COVID-19); engagement on standard-setting issues, including on the Monitoring Group proposals;

sustained PAO capacity-building projects in many countries; release of resources (including more recently the SDG Disclosure Recommendations in January 2020); and much more.

In addition to the above, we suggest considering: delegations of a diverse range of members could be mobilised to advocate on key issues with stakeholder bodies and governments; and more joint events, roundtables, symposia could be convened to discuss and resolve policy and other issues. These would increase accessibility and inclusivity, and could supplement the work of committees. It is likely the outcomes would be practical and could even assist in achieving the KPIs.

We note that in the Integrated Annual Review 2018 that IFAC states that accomplishing their objectives will require them to: engage with member organizations, stakeholders, and multilateral international institutions; explore opportunities to amplify knowledge and insights; focus on thought leadership; explore research and partnership opportunities; harness IFAC's reputation and expertise to support PAOs at the national and regional level; collaborate on public policy and regulatory issues; and promote PAOs and the profession to key stakeholders and other influencers. We believe these action items will enable IFAC to play a major role in achieving the SDGs.

Scanning the horizon – trends

We note the trends described in the Strategic Plan and make the following comments.

With respect to the increased focus on sustainability, we believe that there is a major opportunity for IFAC and the profession to seize on this trend and to become an integral and trusted player by leading in the areas of monitoring, measuring, reporting and advising on sustainability actions and initiatives. Integrated reporting and ethical/responsible investment have shown the possibilities. Embedding IFAC and the profession in social and environmental policy, which is acknowledged in the Strategic Plan, will make the profession more relevant and attractive to younger generations.

With respect to the trend of the future of work and education, we believe that the generic and traditional role of 'accountant' is evolving to include business adviser, technology partner, trade facilitator, enabler, innovator, entrepreneur, data navigator and so on. This captures the trend toward (non-traditional) specialisation and poses questions around the fragmentation of the role of 'accountant'.

The nature and impact of this trend is highlighted by the results of the SMP Survey 2018, which showed that 73 per cent of respondents stated managing cyber security and IT risk as part of the changes in the role of accountants; 68 per cent referred to a focus on the use of data to drive strategic decision making; and 78 per cent stated that navigating new technologies is affecting traditional accounting and finance roles.

Many opportunities and challenges come with the trend of ubiquitous technology. We believe that IFAC has a role to play in bridging the gap between the 'tech haves' and the 'tech have-nots', including within its own membership and within the broader society.

It is a given that technology is ubiquitous, however, how we respond to the opportunities and challenges is what will define the profession and society for decades to come.

IFAC and the profession have an opportunity to combine the dual trends of technology and the future of audit and assurance to address the continuing expectation gap. For instance, among many other things, Artificial Intelligence (AI) is being embedded into smart contracts, investment portfolio management and audit. The work already being done in using AI in the audit process has been transformational.

We note that the Strategic Plan builds on the Integrated Annual Review 2018 (released in June 2019), *Delivering Value Through our Global Network*. The global trends under the heading of Future Ready

and Scanning the horizon are described as: accountancy in the digital age; trust in business, capital markets and the profession; multi- capitalism and long-term thinking and reporting; and future generations — how value creation is managed and supported. We believe that continuity is important and that momentum should be harnessed to achieve the Strategic Objectives and converted into successful Strategic Actions.

Stakeholders

The Strategic Plan lists an extensive and impressive list of stakeholders, which we assume is not exhaustive.

It might be useful to demonstrate a gap analysis by matching stakeholders to specific SDGs. For example, we note that only one UN agency is listed (UNCTAD) even though others such as DESA would also be instrumental. There appears to be no inclusion of technology companies, large corporates, universities (as a sector), think tanks or research institutions. Stakeholder categories with some of the key stakeholders listed within each category could be included as it would be impossible to list all stakeholders and they are of varying importance.

Achievement of the SDGs would necessitate an extensive and diverse range of stakeholders beyond the traditional range of accounting, finance and economics. Accordingly, we suggest aiming for a broader and more diverse range of stakeholders based on specific SDG initiatives.

One excellent example of IFAC stakeholder collaboration was in July 2018 when IFAC and the International Bar Association signed an Anti-Corruption Mandate committing to the vital role of global professions tackling corruption worldwide. This was described as the two professions being united in the fight against corruption and commitment to sharing knowledge, skills and intelligence. We believe that IFAC should engage in more agreements and platforms of this nature with other global bodies in achieving the SDGs.

Funding

We note that funding is an ongoing challenge for IFAC, as for many other organisations, and especially during these difficult and uncertain times. We encourage IFAC, member bodies and others, including the Monitoring Group, to develop a transparent and equitable model, which can provide long-term sustainable funding.

If you have any queries with respect to our submission please don't hesitate to contact Vicki Stylianou at vicki.stylianou@publicaccountants.org.au or on mobile +61 419 942 733.



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