

IAESB CAG Meeting – New York, United States, February 9, 2010

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TO: IAESB CAG

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COMMITTEE

SUBJECT: PAIB COMMITTEE REPORT

Section 1 Introduction

1.1 This report covers progress since the PAIB Committee’s report to the IFAC Board in August. It focuses on key activities since my last report since which time the PAIB Committee has met in New York, and its Task Force recently convened at the Royal NIVRA offices in Amsterdam, the Netherlands.

Section 2 PAIB Committee Strategy and Objectives

2.1 Following the IFAC Board review of IFAC’s activities related to PAIBs (the PAIB Review) and at the invitation of the Planning and Finance Committee, the PAIB Committee is working to develop a strategic plan for IFAC’s engagement in relation to PAIBs. At the October 2009 meeting we built on the PAIB Review Group’s recommendations to develop an overriding vision, and to define what might ultimately constitute success for IFAC in relation to supporting PAIBs. From these desired outcomes, a small number of interrelated strategies emerged within which future actions and work plans will be based.

2.2 The output from the committee’s October session and its ongoing development will feed into IFAC’s overall strategic planning process. The plan’s aim is to enhance IFAC’s ability to help member bodies serve their PAIB members, and will act as a medium for engaging with stakeholders, particularly over the course of 2010-2012.

2.3 The overriding vision places the two strategic objectives identified by the review within a strategic context to give subsequent IFAC activities a focused purpose. This vision is defined as *Achieving global recognition of professional accountants as business leaders and strategic partners*. Four principal strategic components have been identified as necessary to support the vision. These highlight the importance of:

- (a) Delivering activities to enhance the professional accountant brand within the business world;
- (b) Giving employers the means to improve their organization’s performance through the agency of professional accountants;

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- (c) Supporting IFAC member bodies in their work with and for professional accountants working in commerce, industry, financial services, the public sector, education and the not-for-profit sector;
 - (d) Providing an influential international voice for professional accountants in business.
- 2.4 The PAIB Committee's 2010-2012 work program will include developing a range of outputs on topical and strategic areas for PAIBs to support IFAC's efforts to enhance the PAIB brand and to raise awareness of PAIB roles.
- 2.5 The draft PAIB strategic plan will be presented to the Chief Executives' (CEs') in February 2010. Following further discussion and approval by the committee in April it will be presented at a Board meeting later in the year.

Section 3 Key Highlights of PAIB Committee Activities

Roles and Expectations of PAIBs

- 3.1 The development of a discussion paper, *Strong and Adaptive – How PAIBs Continue to Create Sustainable Value for Their Organizations in a Changing Business Environment*, is a major project to support both PAIB strategic objectives and to enhance the professional accountant brand internationally in the world of business. The paper links trends in the business environment to the successful value drivers of high performing organizations and future expectations of the roles and key competencies of PAIBs. This project is primarily aimed at member bodies, but will be valuable in helping IFAC to engage employers and regulators.

Business Reporting

- 3.2 In 2008-2009 the PAIB Committee continued to support the IFAC Board Business Reporting project to evaluate the state of the financial reporting supply chain around the globe and to provide practical recommendations for further improvement. In February 2009, IFAC released a global research study, [*Developments in the Financial Reporting Supply Chain—Results from a Global Study among IFAC Member Bodies*](#). The results of this study indicate that in many countries and jurisdictions progress has been made in numerous areas of governance, financial reporting, and auditing. In the final phase, interviews have been held with more than 25 investors, preparers, auditors, standard-setters, and regulators from around the globe¹ in order to extract practical solutions for making business reporting more useful.
- 3.3 One of the most important, and most consistent, themes expressed during these interviews was the need for improvement in the current format of business reporting to make it more useful to investors and other users, for example the

¹ Including high level interviewees such as Tweedie (IASB), King (King Code, South Africa), DiPiazza (PwC), Kaeser (Siemens), and Goh (Ex CEO, Singapore standard setter)

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need to better integrate sustainability, corporate governance, strategy, and risk management into the business reporting to enable stakeholders to make a more informed assessment of the economic value of a company. Other important themes included the increased use of plain English, XBRL, websites and other modern multimedia technologies to offer multi-layered information (from simple top info to drill down details). The outcomes of this follow-up project will provide input for the possible development of principles-based guidance on Evaluating and Improving Business Reporting in Organizations.

- 3.4 The committee is considering the development of an information paper on XBRL as an overview of recent developments and challenges to progress, as well as highlighting key considerations for professional accountants and providing an overview of XBRL developments in various countries.

Predictive Performance Measurement and Analytics

- 3.5 The committee has also approved and started the development of principles-based guidance in the area predictive performance measurement and analytics, a core activity for many PAIBs performing roles in improving decision making capability or taking decisions. The development of the guidance is being led by Larry Maisel, Managing Partner of DecisionVu LLP.

Risk and Internal Control

- 3.6 An International Good Practice Guidance (IGPG) on Evaluating and Improving (Internal) Control Systems is being considered as a useful addition to already existing (internal) control frameworks and guidance. The principles specifically focus on control issues that often go wrong in organizations, and what should be done to get them right. The further development of the PAIB Committee’s work program in the area of risk and control is subject to continuing collaborative discussions with The [Committee of Sponsoring Organizations](#) (COSO). COSO is a voluntary, US based, private-sector organization, dedicated to guiding executive management and governance entities toward the establishment of more effective, efficient, and ethical business operations on a global basis (see section 4).

Section 4 Collaborative Working with External Bodies and Experts

- 4.1 The newly elected Chairman of COSO, David L. Landsittel, supported by the American Institute of Certified Public Accountants (AICPA) representative on the COSO Board, Chuck Landes, has expressed strong interest in increased collaboration with IFAC in the areas of governance, fraud, risk management, and internal control, which are all core features of the committee’s work program. We are currently working with COSO to identify possible forms of collaboration, starting with an analysis of the application of COSO frameworks beyond the US. A session involving representatives of risk and internal frameworks around the globe is being considered to coincide with the IFAC and United Nations Conference on Trade and Development (UNCTAD) conference entitled “Corporate Governance in the Wake of the Financial Crisis: Linking Governance,

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Strategy and Sustainability”, to be held at the Palais des Nations in Geneva, Switzerland, April 20-21, 2010.

- 4.2 IFAC is collaborating with the Prince of Wales Accounting for Sustainability (A4S) Project on a number of levels, which will be captured in a future Memorandum of Understanding between IFAC and A4S, a draft of which was presented to the last Board meeting. Most notably, IFAC is working together with A4S to develop and operate a community website to serve as a collaboration platform with interactive forums and wiki functionality. This will enable A4S members, IFAC members, PAIBs, and other experts to share ideas in the area of sustainability.