



High-Level Meeting on Accounting for Development

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STATEMENT OF

Warren Allen

***Deputy President, International Federation of
Accountants***

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Public and Private Sector Accounting Standards—and the Current Financial Climate

Good morning, ladies and gentlemen.

My name is Warren Allen, I am Deputy President of the International Federation of Accountants—IFAC, and I am a partner at Ernst & Young in New Zealand.

I would like to commend UNCTAD for organizing this forum. It is my pleasure to be here today as one of the presenters on the panel on *Perspectives of standard-setters and the accountancy profession on the role of accountancy in economic development*.

- There is certainly no doubt that the global financial and sovereign debt crises have brought to the forefront the urgent need for reform, accountability and transparency in financial reporting, particularly in the public sector. Without this reform future economic development will be seriously inhibited.
- As Deputy President of IFAC and a professional member of the accountancy profession, I am more than familiar with the role of international accountancy standards and their impact of the global financial landscape.
- IFAC has long recognized that a fundamental way to protect the public interest is to develop, promote, and enforce a common set of high-quality international financial reporting standards for both the public and private sectors.
- High-quality international standards in both the public and private sectors promote the growth and development of organizations by imposing proper systems of accountability and transparency, from public interest entities to small and medium sized entities.

Benefits of high-quality standards:

In the private sector—

- Enable investors to compare enterprises in a transparent way which will enable them to make more informed and responsible investing decisions. The information that investors and stakeholders rely on is more credible, which will only lead to an increase in investor confidence.
- The strength of global markets is increased leading to international financial stability, increased economic growth and more efficient global markets.

In the public sector—

- Protect the public and investors in government bonds by ensuring governments and other public entities are held to the same level of transparency and accountability as the private sector. This is especially relevant as many governments, in addressing the global financial crisis, have assumed vastly expanded financial responsibilities and are seeking ways to prevent future sovereign debt crises.

- Strong and transparent financial reporting coupled with sound financial management has the potential to improve public sector decision making, making governments more accountable to their constituents, increase efficiency of government processes and enhance global fiscal stability and sustainability.
- Role of IPSAS/accrual accounting—Accrual based practices improve the quality of financial information, they reinforce transparency and accountability, and provide an accurate and comprehensive picture of fiscal performance and position. They record all assets and liabilities at appropriate values and properly disclose all contingences and commitments.
- A final destination—key factor in working toward a resolution of the GFC and subsequent recovery is the universal adoption, and high-quality implementation at the national, state, and local levels across jurisdictions of one set of international reporting standards—the ultimate result, governments around the world performing more effectively and efficiently.

Professional Accountancy Organizations (PAO's) and economic development:

- IFAC PAO Development Committee—addresses the challenges facing the development of professional accountancy organizations in developing nations.
 - Raise awareness of accountancy, the need for the profession and the benefits the profession brings.
 - PAO—brings together individuals from both developed and developing nations, who drive an agenda to raise awareness of accountancy, bring attention to the need for a formal profession, and highlight the economic and social benefits that a formal profession can bring.
 - There is an integral relationship between strong professional accountancy organizations (PAOs) and healthy financial sector performance, overall economic growth, and social progress.
- UNCTAD Capacity Building Framework
 - Many of the key aspects of IFAC guidelines for PAO development have been included in the Framework
 - Addresses issues related to PAO sustainability
 - Provides content in an easy to use format
 - Sufficient flexibility in the design to allow for situations such as 'more than one PAO' in a country

The accountancy profession has a pivotal and influential role to play in the resolution of the sovereign debt crisis. The convergence to one set of internationally accepted (and implemented) set of standards will be a sizeable step on the road to long-term fiscal sustainability and strong economic development.