

Alan Johnson, Deputy President IFAC

Remarks to the Institute of Certified Professional Accountants of Cyprus AGM

Ladies and Gentlemen,

Good afternoon. Thank you for allowing me to make a few remarks at your 2020 Annual General meeting.

IFAC, through its network of member PAOs and other partner organizations, is the voice of the global profession. We represent more than three million professional accountants. ICPAC has been a member of the IFAC family since our beginning, in 1977. And since your foundation in 1961, you have served the people of Cyprus admirably in the public interest.

Our profession has always focused on the future, but rarely has the future held so much uncertainty as it does now.

Our commitment to ethics, as part of our public interest mandate, distinguishes our profession and helps us navigate current and emerging issues. The collective action to fight fraud and corruption must be a joint goal of governments, businesses, civil society—and our profession has an important role to play.

Like ethics, the integrity and professionalism of accountants in the public sector is, and will continue to be, vital. In many countries the public sector is not only the largest employer but also the largest investor.

The integrity of public financial management has always been essential to the profession's public interest mandate, but our work in the public sector is now more important than ever. The public measures taken to prevent the spread of COVID-19 and to minimize the damage suffered by industry and working people have amounted to trillions of dollars. These lifelines continue to be the difference between bankruptcy and solvency for countless people and organizations.

Delivering on these public measures in response to COVID-19 requires transparent decision-making based on high-quality financial information.

Those affected most by failures of the public sector to fight fraud and corruption are the poorest in society—those same citizens who are impacted most by the COVID-19 pandemic. When public services fail, societies suffer, and ordinary people have the most to lose. When professional accountants work in the public sector, they work for those who need the most support.

I would like to emphasize that technology is at the heart of today's challenges from COVID-19, and the right responses to work toward a strong recovery. The concept of "doing the same work differently," with technology at its core, can change the definition of the role of the accountant to make the profession more dynamic.

I would like to emphasize that the accountancy profession, alongside every stakeholder in business, needs to look out for the health and well-being of its people. Building strong remote work capabilities certainly is an issue of productivity. But remote work tools must also support office communities and help individuals find connections amid so much disruption and uncertainty.

A word on **international standards**. These are essential to a huge range of outcomes, including better corporate governance and audit quality.

Accounting standards bring much-needed transparency to the financial system. They directly underpin our economies, and the sustainability of economic development.

IFAC's starting perspective is that harmonized international audit and assurance standards are essential in a globalized business environment—but only where they have been consistently and widely adopted and implemented.

Within its remit the IAASB is doing its best to address advances in technology and complexity in external reporting, and importantly to find ways to ensure the ISAs are appropriate for less-complex entities.

As ever with audit challenges, the only way to resolve them effectively is to engage with all stakeholders in the audit ecosystem. These issues cannot be solved alone by changes to the IAASB or IESBA's standards.

The IESBA, likewise, is tracking new ethical challenges.

Professional Accountancy Organizations should strive to influence key stakeholders to move from passively adopting standards to actively transforming the standard-setting adoption and implementation environment.

Across the world—especially since the global financial crisis—jurisdictions have introduced regulations that affect our profession. Unfortunately, they have not always been executed in concert, leading to regulatory

fragmentation—with costs on the order of hundreds of billions of dollars annually.

We must do everything possible to minimize fragmentation. COVID-19, with the proliferation of regulatory and fiscal measures it has spawned, has made this task more urgent and more difficult. This is where international standard-setting is key.

Collaboration and transparency in international rule-setting will be essential to strengthen the financial system. We urge regulators and policymakers to place utmost priority on cooperation. And IFAC's member bodies can play and leadership role in this.

I would like to highlight is the importance of small and medium size enterprises (SMEs) to the global economy and, by extension, the connection between economic growth and the accountancy profession.

The vast majority of businesses in the world are SMEs, and their collective contribution to employment and economic activity is substantial. The recovery of SMEs will be critical for economies to get back to sustained growth. But today SMEs are struggling as the global economy falters. Huge numbers of them are bankrupt or facing bankruptcy.

The widespread failure of SMEs will be disastrous, and the effects will not be self-contained. The supply chains of large corporations are critically dependent on SMEs; it would be a mistake not to consider the crisis among SMEs a crisis for the global economy. Everyone has a stake in supporting these businesses.

Professional accountants will lead the recovery from the blow COVID-19 has dealt SMEs—through their work within organizations, such as SMPs, which are the preferred partner for many SMEs, or as accountants serving in other capacities in the private sector.

Over the past four months the headlines across the world have been on COVID-19. But we must not lose sight of the other global pandemic that we have been facing for decades, and that is the issue of climate change. Across the world hundreds of millions of people are already being impacted negatively from the effects of damage to the planet. Over 9 million people around the world die every year from the effects from pollution and climate change, compared to the around 940,000 who have so far sadly passed away from COVID-19.

COVID-19 has highlighted the fragility of our global ecosystem and the urgent importance of creating a more sustainable world.

Globalization and industrialization have benefitted society, but they have also contributed obstacles to sustainable development, including extreme poverty and inequality. Our profession, with its global reach, has always endeavoured to serve the public interest, guided by our strong ethical standards and professionalism. IFAC's strategy is guided by, and aligned with, the UN's Sustainable Development Goals.

I recognise how fortunate some of us are to be able to participate in today's event, and my thoughts go to all families that have lost loved ones prematurely, and of course to those that are still suffering from the effects of this terrible pandemic. There is no question that the heroes of today and tomorrow, and quite frankly the foreseeable future, are the doctors, nurses, healthcare workers, researchers, scientists—everyone who is working to save

lives and helping to protect us. We owe them an enormous debt of gratitude, a debt that we may never ever be able to repay fully. Without them, we of course could not gather here today.

I am convinced that our global accountancy profession has never had such an important role as now to support society in tackling this global challenge and helping governments and businesses navigate the path to recovery. Our professional competencies, a collection of technical knowledge and abilities, combined with our interpersonal skills, all underpinned by our ethical behaviours, are extremely relevant at this time.

We need to continue to focus in earnest on the work that we do, which will be equally important when we get to the other side of this terrible pandemic: when governments need the mechanisms to provide financial support to public health systems and citizens; when economies start to recover; when businesses need cash flow to rebuild....we have to be there as partners and problem solvers with them.

A few months ago, your Chairman, Mr. Dimitris Vakis, addressing the COVID-19 crisis, wrote “*Our professional training and rich experience have provided us with the ability to manage change, no matter how big or sudden it may be.*” I could not have put it better myself. This is a moment of great uncertainty, and enormous change has come, and change will continue to come. But I am confident the profession will adapt—and lead a strong recovery.

Thank you for giving me the opportunity to share some remarks with you this afternoon. I wish you a successful Annual General meeting. I do hope that next year as you celebrate your 60th anniversary I may be able to join you in person.