

GOVERNANCE/COMPLIANCE

Accountants need to step up and lead

By TIM J. LEECH

Governance is fundamentally about oversight — taking steps to ensure that desired objectives are achieved and risks to those objectives are managed. Governance activities occur at the individual employee, business unit, corporate, business sector, national, and international levels.

It's fair to say that the current economic crisis clearly illustrates massive lapses in governance at all levels. If the world is going to learn from its mistakes, and most importantly, reduce the likelihood of similar debacles in the future, impartial and qualified analysis of what went wrong and what needs to be done to prevent future occurrences must take place.

Unfortunately, it isn't at all clear who can, and should, take the lead conducting an impartial and qualified inquest to determine root causes and propose national and international reforms.

Around the world, and particularly in the U.S., the country regarded by many as being at the root of this global crisis, commissions, hearings, editorials, investigative reporting, and more are underway to try and determine what went wrong, who should be held accountable and what should be done. Unfortunately, many of the politically initiated inquiries are convened or being conducted by people and bodies with debilitating conflicts of interest.

Inquiries conducted by various levels of U.S. government and U.S. regulatory bodies are inherently conflicted because many believe that seriously flawed U.S. legislation and regulation is at the root of the current crisis — legislation and regulation created by both of the major U.S. political parties and the myriad of regulators.

Other countries with friendly

ties to the U.S., like Canada and the UK, are worried about offending their neighbour and the possibility of political and economic sanctions. Countries less friendly to the U.S. are similarly tainted as their analysis would be subject to charges that the primary purpose is to discredit and disparage the U.S.

A key question then should be: "If the probability of a comprehensive and impartial inquiry led by bodies in the U.S. is unlikely, and other countries lack detailed knowledge of the events that led to the economic crisis, and are often unwilling to call for an inquest, who should?"

Professional accountants drawn from countries around the world, although not without conflicts and in some cases blame, may be in the best position to initiate and lead such a study. Being qualified for the job, however, doesn't mean there is the means and will to do it.

Individual accounting and auditing bodies around the world, particularly those in the U.S., due to a lack of resources, mandate, and political will, have not shown much willingness to enter the fray and launch inquiries to systematically explore the root causes of the current global crisis, even inquiries with a narrow mandate to examine whether a lack of accounting transparency, was at least partially to blame.

Given the limitations of national accounting associations, including those in Canada, the International Federation of Accountants (IFAC) would appear to be the most likely vehicle to launch an impartial inquest and offer constructive suggestions at a global level.

So far, IFAC has launched a micro website entitled "The Global Financial Crisis" to update member organizations and accountants globally on its activities



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(www.ifac.org/financial-crisis), prepared a number of papers, and made recommendations at the recent G-20 conference.

Robert Bunting, IFAC's president, stated in an April 17, 2009 speech: "IFAC is committed to providing leadership ... by encouraging and facilitating collaboration among firms, practitioners, member bodies, regulators and other stakeholders. To do so effectively, the world must agree on a single set of standards."

Although IFAC appears to be making some strides enlisting the knowledge of the accounting profession on what went wrong, it doesn't appear to have the political will, resources, or mandate to lead a thorough impartial inquest, to determine what went wrong and propose what needs to be done globally to reduce the probability of future governance failures, particularly at the international and national levels.

One positive example of a professional accounting body shouldering its public interest responsibilities in this debacle has emerged from the Association of Chartered

Certified Accountants (ACCA), headquartered in the UK. The ACCA has a large global membership and has put strong public emphasis on the role accountants can and should play protecting the public interest — perhaps far more than any other accounting body in the world to date.

The ACCA has established a website titled "Global Economy: Addressing the Challenges" (www.accaglobal.com/economy) and published an excellent discussion paper titled Corporate Governance and the Credit Crunch. The ACCA website states: "ACCA seeks to make a strong and distinctive contribution to public debate on all relevant issues concerning the conduct of accountancy and business and, in particular, on technical aspects of the work of professional accountants in business, public practice and the public sector."

Based on what has emerged to date, it should be clear that there is a desperate need for qualified, well-researched analysis and commentary on the conduct of accountancy and business leading up to the economic crisis, particularly identification of what went wrong with governance oversight and what needs to be done to fix it.

All accountants reading this piece who believe that being a member of the accounting profession means far more than charging fees and providing reliable accounting, auditing and tax services — that it comes with an obligation to use the knowledge and skills of accountants to advance the public good — need to speak up now.

Accountants globally could band together to call for a full and impartial inquest to determine what was deficient in the governance processes at the company,

sector, national and international levels and, more importantly, what needs to be done to prevent future governance failures. Such an inquest, if it is to be done well, would require significant resources and a strong mandate, things that could be obtained if the accounting profession globally supported that.

All accountants who believe that being a professional means owing a duty to the public need to let the professional accounting/auditing associations to which they belong know there is support for IFAC taking an active role in leading a global 'governance inquest.'

The global governance inquest would be charged with identification of systemic root causes of the global economic crisis and proposing big picture changes to avoid future breakdowns — even if that means suggesting radical and massive changes to the U.S. regulatory and governance framework, and stripping countries of fragmented responsibility for setting accounting and assurance standards.

Discussion papers and recommendations are a very good start, but what is missing so far is thorough, impartial, objective, professional analysis of the root causes of this crisis at the company, sector, national and international levels.

Some group needs to lead that inquest and that can be the global accounting profession.

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Initially, he was a reluctant teacher

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ferent industries.

"With the expanded experience opportunities that have been introduced nationally, we've got students in Telus and Great West Life placed in the corporate public sector. Their experience will no longer be in a CA firm so we're going to focus on the many roles that CAs perform in the marketplace. It will be the same sort of model that increases in complexity, but now on the way through you will not be this student in a CA firm.

"You will be playing a number of different roles, the types of

roles that CAs perform in the marketplace."

Kevin Dancy, the CICA president, praised Carter for his role in the start-up of the CASB.

"He has been a major force in developing an innovative curriculum, high-quality course materials and a leading edge web-based delivery methodology for CASB."

"When I came to B.C. in 1980 to establish the school I had a blueprint to work from but I didn't have to drag forward any baggage from history."

Donald Carter

Dwight Wainman, CEO of CaseWare International Inc., said Carter and the CASB have pioneered a new way of teaching accounting.

"Tomorrow's endeavors rest on a foundation created by today's innovation," he said. "By its very nature, innovation stirs creativity into action."

Reflecting on the award, Carter

said he's privileged to have been a part of the accountancy school in B.C. as well as establishing the CASB.

"I've been very fortunate to be able to build something twice from a clean sheet of paper. When I came to B.C. in 1980 to establish the school I had a blueprint to work from but I didn't have to drag forward any baggage from

history. And again when we established the CASB, we got to start from a clean sheet of paper and that's not something that you very often have the opportunity to do."

The award is made even more special by the fact it's named after a longtime friend of Carter's. Swirsky retired in 2007 after more than 30 years at CICA.

"Bill and I go back to when I first started with the B.C. institute back in 1980. He was starting at the CICA just about the same time I was starting at B.C. We were both out-of-the-box thinking kind of guys and we've had some interesting conversations over the years."