This issue of Management Control & Accounting (MCA) is devoted to the Seminar ‘Governance in Control: Dutch Research Earnings for International Financials’. The Seminar is organized by Royal NIVRA on 28th March 2007 at the occasion of the spring meeting of IFAC’s Professional Accountants in Business Committee in Amsterdam. This article is to inform the readers of MCA about the purpose and scope of the International Federation of Accountants (IFAC) and its Professional Accountants in Business (PAIB) Committee.

Henri van Horn:
IFAC is the worldwide organization for the accountancy profession. Established in 1977 with Royal NIVRA as one of the founders, the organization is comprised of approximately 160 member bodies in 120 countries, representing 2.5 million accountants employed in public practice, industry and commerce, government, and academia. As an overall picture, 55% of the individual members might be qualified as professional accountant in business, that is, not working in public practice. Membership in IFAC is open to national accountancy organizations and international organizations that have an interest in the international accountancy profession. IFAC is comprised of different types of member bodies: see Box 1.

IFAC’s mission
To serve the public interest, IFAC will continue to strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession’s expertise is most relevant. IFAC’s role is threefold:
1. to establish and promote adherence to high-quality international standards;
2. to facilitate collaboration with member bodies;
3. to serve as spokesperson for the international profession on relevant public policy issues.

Standards and guidance
The standards developed cover the areas of auditing and assurance, educational and ethical requirements for professional accountants, and governmental (public sector) accounting and financial reporting. See Box 2. Guidance is also developed in other areas such as the development of the profession, the provision of services by small- and medium-sized practices, and the role of professional accountants operating in and for business. The level of authority associated with guidance and publication materials is intended to be less than that associated with IFAC standards, although these materials may provide illustrations of best or good practices.

Promoting quality
IFAC promotes the provision of high quality services by all members of the profession through implementation of the Member Body Compliance Program. In

DIFFERENT TYPES OF MEMBERS
IFAC is comprised of members, associates, and affiliates. Associates are national accountancy organizations that are at an early stage of development and are committed to working towards the requirements of full IFAC membership. For example the Association of Accountants and Auditors of Republika Srpska.
Affiliates are organizations that have as an objective the development of the accountancy profession. For example The Institute of Internal Auditors (IIA).
In addition to this we have also to recognize several Regional Accountancy Organizations that
contribute to the development of the international accountancy profession by supporting IFAC initiatives, promoting international convergence, and providing leadership in addressing regional issues. For example in Europe the Fédération des Experts Comptables Européens (FEE). Member bodies of IFAC can also be categorized as follows:

- member bodies that have individual members in both audit practice and business. And both have technical support. For example ICAEW and AICPA. Both institutes support not only practitioners with technical expertise and professional training but also professional accountants in business;

- member bodies that specialize in one category of accountants. For example in audit practice: in France the Conseil Supérieur de l’Ordre des Experts Comptables and in Germany: Institut der Wirtschaftsprüfer. Or, in business: the management accounting institutes as IMA (USA), CIMA (UK) and CMA Canada. Or, member bodies with a non-profit focus like The Chartered Institute of Public Finance and Accountancy in the United Kingdom.

As an overall picture, 55% of the individual members might be qualified as professional accountant in business, that is, not working in public practice.
addition, IFAC undertakes initiatives aimed at improving audit quality, particularly those undertaken by members of the Forum of Firms.

International collaboration activities
IFAC recognizes that in many areas related to the accountancy profession it may need to act in a collaborative or facilitative role or share the lead with another organization. These areas may cover a wide spectrum of topics and are considered complementary to IFAC standards and guidance services. IFAC actively facilitates the development of appropriate topics with interested member bodies and/or other groups, enters into collaborative arrangements, and/or develops information sharing networks.

Representation of the accountancy profession in the public interest
IFAC represents the public interest when: commenting on material published by other international or regional organizations that directly relates to accounting or auditing; developing and maintaining relationships with other international or regional organizations as appropriate; participating in global, regional or national forums; and developing reports that address the role of IFAC and the accountancy profession. IFAC’s communication program calls for the organization to strengthen communications and increase the spokesman ship role. The purpose of the program is threefold; to more clearly communicate IFAC and the international profession’s role in serving the public interest, particularly with respect to the soundness of financial reporting; to promote the adoption of IFAC standards and best practices to achieve convergence; and to increase member body awareness of and involvement in IFAC activities.

Information services
IFAC information activities are designed to communicate and support IFAC’s overall strategy and are targeted to IFAC member bodies and various external groups, including the media, regulators, standard setters, international financial institutions, and other stakeholders. IFAC achieves this through print and electronic communications, including continual enhancement of the IFAC website (www.ifac.org) and intranets, media relations and support of those speaking out on IFAC’s behalf.

Governance
Governance of IFAC rests with the IFAC Council, which comprises one representative from each member, and the IFAC Board. The IFAC Board is responsible for setting policy and overseeing IFAC operations, the implementation of programs, and the work of IFAC Boards and committees. See Figure 1 for IFAC’s Chart of Oversight and Consultation.

Role PAIB Committee
As being one of IFAC’s committees, see Box 2, the Professional Accountants in Business Committee serves IFAC member bodies and the more than one million professional accountants worldwide who work in commerce, industry, the public sector, education, and the not-for-profit sector. Many of them work in roles which are critical to the success of the enterprise. It is the committee’s aim to enhance the role of professional accountants in business by encouraging and facilitating the global development and exchange of knowledge and best practices. While there is a high awareness and appreciation of the role and importance of accountants in audit practice, there is an equally important need for professional accountants in business to design and maintain mechanisms to assure that effective, ethical and responsible corporate governance and control is achieved.

Definition PAIB
IFAC has defined a Professional Accountant in Business as someone that first meets the standards of a professional, defined as:
- having skills, knowledge and expertise tested by examination and continuously developed in a structured and monitored context;
- committed to the values of accuracy, honesty, integrity, objectivity, transparency and reliability;
- subject to oversight by a body with disciplinary powers.

This is similar to other professionals that achieve accreditation through exam, and maintain expertise via a commitment to ongoing continuing education. Second, is recognized as being an accountant, defined as:
- belonging to a recognized accountancy body upholding professional standards and approaches in the discipline of recording, analyzing, measuring, reporting, forecasting and giving advice in support of financial, management and strategic decisions.
Figure 2:
Roles and Domains of Professional Accountants in Business

Figure 3:
Professional Framework Accountants in Business
And third, is in business, defined as:
- working in an organizational entity of any size and ownership structure, or alone, whether or not operating for profit, other than engaged in external audit;
- an integral member of, or support to, the management team striving to create and sustain value for stakeholders.

Roles of the Professional Accountant in Business

Over one half of the 2.5 million professional accountants who are members of the member bodies of IFAC work in business. This includes those who work in commerce, industry, the public sector, education and the not-for-profit sector. Their work, experience and responsibilities are extraordinarily varied and the diagram in Figure 2 has been developed to demonstrate the breadth of roles that professional accountants in business are performing today.

Typical mainstream job titles include chief financial officer (CFO), finance director/manager, (financial) controller, financial analyst, treasurer, chief information officer, investor relations officer, planning manager, strategy analyst, chief accountant, management accountant, cost accountant, financial accountant, consolidation accountant, internal auditor, compliance officer, project manager. Many PAIB’s also move on to more general management responsibilities such as operations director, chief executive officer (CEO), chairman, non-executive director.

Domain of the Professional Accountant in Business

The main activities, which are sometimes referred to collectively as ‘financial management’ or ‘management accounting and control’, can be analyzed as:
- the generation or creation of value through the effective use of resources (financial and otherwise) through the understanding of the drivers of stakeholder value (which may include shareholders, customers, employers, suppliers, communities, and government) and organizational innovation;
- the provision, analysis and interpretation of information to management for formulation of strategy, planning, decision making and control;
- performance management and communication to shareholders, including the financial recording of transactions and subsequent reporting to stakehol-
ers typically under national or international General Accepted Accounting Principles (GAAP); the cost determination and financial control, through the use of cost accounting techniques, budgeting, forecasting and investment analysis; the reduction of waste in resources used in business processes through the use of process analysis and cost management; risk management, business assurance and compliance to the principles of corporate governance.

Capabilities of the Professional Accountant in Business
The activities in the domain of the PAIB are carried out in different modes including directing, influencing, evaluating and informing. Many of the activities are forward looking in nature, are beyond personal control and have to deal with ambiguity.

The principles of Enterprise Governance (see the bibliography) require an appropriate balance to be set between corporate governance and compliance on the one hand and business performance and value creation on the other. The PAIB plays a key role in both these dimensions and in optimizing the balance between the two.

In performing the activities mentioned, the PAIB draws from a broad base of capabilities, including a deep understanding of the principles of economics, accounting and corporate finance.

A successful PAIB will deploy various analytical techniques including strategic analysis, competitor review, benchmarking, ratio analysis, statistics and risk assessment.

The PAIB needs to be pragmatic and able to exercise rational, disciplined, objective analysis and judgment to often ambiguous and imperfect information. The PAIB needs to combine a challenging and questioning approach with a high degree of understanding of the business, its market and competitive environment.

It is essential that the integrity and ethics of the PAIB be beyond reproach so that management can rely on their reports, findings, and recommendations.

To make a difference to an organization’s success the PAIB needs to communicate effectively. Innovative presentation skills have become essential in order to present analysis and recommendations in such a way as to influence decisions.

Professional Framework of the Accountant in Business
Concluding the foregoing we can develop a framework for the Professional Accountant in Business. See Figure 3. This is to sustain the domain and capabilities of the PAIB in a qualified and by the public respected manner. As a summary it is a requirement for the PAIB to meet a number of pre-conditions:

- at first an accounting qualification at graduate level;
- being a member of a recognized accounting institute with rules of conduct and jurisdiction over professional misconduct;
- in the public interest, working in accordance with professional standards, national and international standards and codes as set by law and IFAC;
- having the right fit, training and experience for the job and its business to be of added value for the organization working for;
- keeps its knowledge and capabilities up to date by means of continuing professional development as advised by its professional body and as required by the employing organization.

In meeting the five pre-conditions of the framework, the PAIB can comply with the trust of the public in the accounting profession.

Bibliography

Websites
- www.ifacnet.com
  A KnowledgeNet for Accountants in Business.
- www.ifac.org/store
  IFAC publications can be downloaded for free.

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