

“Our profession makes a difference”

In an exclusive interview, the president of IFAC discusses challenges, opportunities and perspectives for Accounting in a post-pandemic world

Appointed to the board of the International Federation of Accountants (IFAC) by the Association of Chartered Certified Accountants (ACCA), Alan Johnson is a member of the Board since 2015. He served as vice president from 2018 to 2020 and, in November last year, he assumed the presidency of the entity. Prior to that, he was a member of IFAC's Professional Accountants in Business Advisory Group from 2011 to 2015, a member of ACCA's Market Oversight Committee from 2006 to 2012 and chair of ACCA's Global Business Accountants Forum until 2018.

On January 1, 2021, he was appointed Director and Member of the Audit and Succession and Nominations Committees of Imperial

Brands, a FTSE 100* company in the UK. He is also a member of the Board of Trustees of the International Valuation Standards Council and has chaired its Audit Committee since 2016. Between July 2018 and September 2020, he was Director of the UK Department for

I'VE ALWAYS BELIEVED THAT THE ACCOUNTING PROFESSION PLAYS FUNDAMENTAL ROLE IN ALL ORGANIZATIONS

International Development and chaired the Audit and Assurance Committee at the same entity.

In this interview, Johnson talks about the challenges brought by the pandemic, the relevance of Brazil in the global accounting scenario and the opportunities and challenges he has encountered as president of IFAC..

RT – Tell us a little about your background in Accounting and your arrival at IFAC.

AJ – Prior to joining the IFAC Board in November 2015 I had served on IFAC's Professional Accountants in Business (PAIB) Committee for five years. My professional accounting background was in business. I have been the CFO of a Portuguese-listed company and an Executive and Non-Executive Director of the same company. I was also the Chief Audit Executive of Unilever following a role as the CFO of Unilever's global foods businesses. I have lived and worked in seven countries in Europe, Africa and Latin America, including in Brazil in the 1980s for two wonderful years.

RT – What were your motivations and what keeps you motivated with the accounting activity until today?

AJ – I have always believed that the accounting profession plays key roles in all organizations, whether they are in the corporate or public sectors, in large firms or small- and medium-sized practices, or indeed in the not-for-profit sector. Our unique analytical



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skills, professional judgement, risk management, and ethical training are critical to support organizations to navigate complex and challenging issues, create sustainable value and communicate effectively with all stakeholders. The profession's role in the global economy and in serving the public interest is simply enormous. The accountancy profession has given me a fulfilling and rewarding career over more than 40 years, and I feel it is my duty to give something back to the profession by volunteering my time to IFAC over the past ten years.

RT – Besides IFAC, in which other professional organizations do you have or already had an active presence?

AJ – In addition to my time in Portugal and with Unilever over 30 years, I was a Non-Executive Director of the UK Department of International Development and chaired its Audit & Risk Assurance Committee. I currently chair the board of a British international school in Portugal. I am also on the Board of Trustees of the International Valuation Standards Council and I chairs its Audit Committee. I am also a Non-Executive Director of Imperial

Brands PLC and a member of its Audit and the Succession & Nominations Committees.

RT – Which will be your main guidelines as president of IFAC?

AJ – IFAC's mission is to serve the public interest by enhancing the relevance, reputation, and value of the global accountancy profession. We pursue that mission with three objectives: to speak out as the global voice of the profession, to lead and develop a future-ready profession, and to support the development,

adoption, and implementation of high-quality international standards. At a moment of exceptional uncertainty, it is crucial that professional accountants and professional accountancy organizations are ready for the profound changes that are coming in the business world—or, indeed, are already here. Adapting and transforming is necessary for the profession to continue fulfilling our role in building a more sustainable and equitable world.

RT – What were your first steps taken at the head of IFAC? Any immediate challenges? Tell us a little about these first several months of your terms.

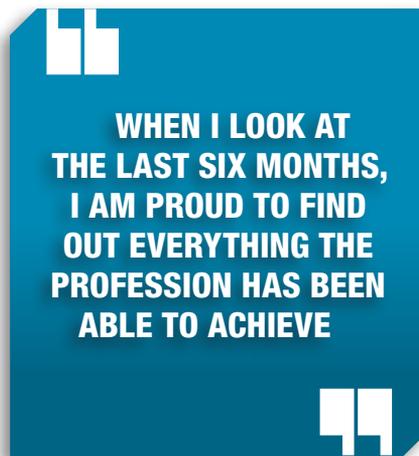
AJ – When I became IFAC President we were in the middle of discussions with the Monitoring Group and other partners to agree to that transition plans for reforms to the standard-setting process. The initial discussions started in 2015 and it was important to move forward with the implementation phase. And I am pleased to say much has been achieved, and we are moving forward with confidence.

The other challenge was continuing to work remotely, supporting the IFAC staff and IFAC members across the world, whilst ensuring the IFAC executive and the Board continued to operate effectively. When I look back over the past six months I am proud what the profession has been able to achieve, supporting governments, corporates, professional accountants and accounting students, and many others, through the COVID-19 pandemic. The level of co-operation and collaboration amongst IFAC

members has been truly exceptional and makes me a proud member of this profession.

RT – How do you evaluate the external audit activity and its relevance in the current economic context and with increasingly demanding stakeholders?

AJ – High-quality audits are, and will remain, essential to strong organizations, markets, and economies. Important conversations



are taking place worldwide about corporate reporting, audit quality, stakeholder expectations, and corporate governance. Where audit quality has drawn scrutiny or where there are gaps in expectations, a balanced approach is called for, with a commitment to continuous improvement as well as due regard for the long-established success of audit. Performing high-quality audits requires strong governance structures, effective regulations, and well-designed metrics. The right people for the job will have integrity, independence, and professional ethics, in addition

to the appropriate technical skills—in other words, they will be professional accountants. In the absence of any one of these elements, an audit may not meet the expectations of stakeholders. Our profession has unparalleled global cooperation and alignment around international standards, especially those related to audit quality and professional ethics. The adoption and implementation of international standards will continue to be essential to audit quality.

RT – Brazil has been committed to the process of adopting the IPSAS, with 30 standards already converged in the country. How do you assess that adoption can have positive impacts on the way of doing business in the Brazilian public sector and on accountability to society? How have other countries benefited from the adoption?

AJ – I would point to the remarkable shift toward accrual accounting in Brazil and around the world. Over the past few years, the number of governments reporting accrual has risen sharply. Many—including Brazil—have used the IPSAS as the basis for new accrual accounting reporting frameworks. This reflects the quality of the standards, as well as the leadership of the Brazilian profession. I would like to thank and congratulate Ibracon (and CFC) for your dedicated work to support convergence to the IPSAS in Brazil, and for your leadership across Latin America.

Accrual accounting builds greater transparency and accountability into the public sector. This is crucial in a

world of low trust in institutions. No less important, accrual accounting offers better information to decision makers, including the officials now trying to mitigate the pandemic. With many trillions of dollars at stake in public spending, accrual accounting offers a considerable tool for assessing risk and setting credible plans.

RT – Please comment on how Covid-19 impacted and still impacts IFAC’s activities.

AJ – Last year, we integrated much of our internal communications and file-sharing, supported by cloud data storage. That took a significant adjustment among all IFAC staff. We were successful in adapting swiftly. Our staff of about 80 people created about 80 home offices relatively quickly.

Transitioning data to the cloud, reorganizing the way employees communicate—these things take time and money. But for a future-fit profession, they have proved to be just as essential as the many state-of-the-art technologies we are used to discussing, such as data analytics and artificial intelligence.

The pandemic continues to impose physical distance, with mixed results. Thanks to virtual connections, I engage with our member organizations perhaps more than I could have before COVID. Of course, one accompanying cost has been the near-complete halt to my IFAC travel, as well as the suspension of in-person meetings of the IFAC Board and the standard-setting boards. These disruptions will, I hope, come to an end soon, as there is no real replacement for the



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in-person meetings where we build stronger connections and understand our different cultures better.

RT – Now let’s talk about new technologies: it is a fact that they affect the future of professions. In your opinion, what is the best way to make them allies and not competitors or rivals of the external auditors?

AJ – The accountant of the future will need to perform new roles, often with advisory responsibilities, rather than exclusively technical ones. Businesses need dynamic professionals with a

deep understanding of the finance function, a wide view of an organization, and the required technical skills. This is an opportunity: although technology is automating old processes and generating new ones that do not necessarily require the skills we have traditionally practiced, these developments will always create a need for trusted advisers with wide skillsets, and, most importantly, the integrity and professional ethics of an accountant. Wherever economic growth is sustainable, these qualities will be prized.

I would like to emphasize the importance of stepping into advisory roles for smaller businesses. These are companies that do not necessarily have the time or resources to adequately work through internal resource allocation, to handle tax season, to prepare for external audits, or to handle so many more tasks that the accountancy profession is equipped to handle. We can use digital tools and digital competencies to help businesses grow, to create jobs, to support good public financial management, and promote public trust in institutions.

RT – ESG is the subject of the moment. How do you see these themes, considering the emergence of environmental, gender and social issues? What does this mean for the profession and for the IFAC?

AJ – Society has articulated clear demands for climate action and gender equality, along with many other pressing systemic issues, with the UN Sustainable Development Goals (SDGs). All of these issues converge in today's most urgent transformations and crises, including the twin pandemics of COVID-19 and climate change.

The movement to build sustainability information into corporate reporting is vital to creating sustainable value while meeting society's demands. IFAC sees the right approach as having two "building blocks": one concerned with multi-stakeholder interests in sustainability reporting, and one that focuses on sustainability information related to enterprise value. Ultimately, we need a global system for consistent, comparable,

and assurable sustainability-related information that best meets the needs of all stakeholders. IFAC continues to support the IFRS Foundation's discussions toward establishing an International Sustainability Standards Board

RT – We have Brazilian representatives in several instances of IFAC. How do you evaluate this involvement and the benefits it brings to the profession, in



Brazil, and to the development of IFAC projects / activities?

AJ – At the global level, the Brazilian profession adds enormous value. IFAC's activities, along with those of the standard setting boards we support, depend on volunteer service. Brazil continues to be a source of exceptionally talented and dedicated volunteers, as it has been for decades. Brazil has a remarkably strong accountancy profession and a long history of commitment to high-quality international standards. Brazil has looked to engage deeply with its neighbors, through direct cooperation and through regional bodies, to share its expertise and build international

partnerships. I commend Brazil for this kind of leadership.

RT – What would you say to young people who want to join the accounting activity? Is it worth being an accounting professional? Is it an activity that continues to advance and contribute to global development?

AJ – Perhaps the most important point to stress to those considering the profession is that professional accountants can and do make a difference. We are on the frontlines of millions of organizations, public and private; our reach is remarkable and our opportunity to make a difference as a profession is unmatched.

The profession should talk more about the kinds of value we can bring to more active and demanding stakeholders, the ways in which we will step into the future, and the profession's commitment to the public interest. These points are likely to resonate with the strong the next generation, who have taken emphatic stands on behalf of social progress and climate action. Today's young people, much like those of past generations, want stable and fulfilling work. Newcomers find the profession an ideal place to learn and develop in different business environments. The profession offers all of this, and in our work toward future fitness, we are signaling our commitment to transforming to add value in new uncertain and disruptive environments for decades to come. ✓

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