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Natural Capital and the Accountancy Profession: Applying traditional skills to new thinking and practice

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QUOTES..................

Work hard for what you want because it won't come to you without a fight. You have to be strong and courageous and know that you can do anything you put your mind to. If somebody puts you down or criticizes you, just keep on believing in yourself and turn it into something positive.

(Leah LaBelle)

I truly believe that everything that we do and everyone that we meet is put in our path for a purpose. There are no accidents; we're all teachers - if we're willing to pay attention to the lessons we learn, trust our positive instincts and not be afraid to take risks or wait for some miracle to come knocking at our door.

(Marla Gibbs)

No matter what you're going through, there's a light at the end of the tunnel and it may seem hard to get to it but you can do it and just keep working towards it and you'll find the positive side of things.

(Demi Lovato)

I believe if you keep your faith, you keep your trust, you keep the right attitude, if you're grateful, you'll see God open up new doors.

(Joel Osteen)

EDITORIAL

Corporate culture is emerging as a critical issue for effective governance and performance. In many situations this uniqueness in culture explains why many organizations try and implement process improvements developed by successful companies, yet don't achieve the same results. The result is often millions of dollars invested and wasted in ideas that fail to deliver the desired returns. The writer indicated that culture is unique and every organisation has to develop its own culture over time which will propel it to achieve its objectives and beat out the competition. The challenge for many accountants is to acknowledge that culture is strongly related to the soft skills that impact relationships both internally and externally. While professional accountants must develop their soft skills for personal career reasons—such as their ability to interact with others and influence decision making—this need extends across the whole organization and must be part of its expected behaviour.

Growing interest, among businesses, investors, governments and wider society, in the concept of natural capital accounting is, driving a range of initiatives, developing tools, and frameworks for entities and advisers. Natural capital impacts and dependencies, risks and opportunities, are being seen increasingly as potentially material issues that businesses and investors should manage. This has direct relevance for the accountancy profession. Not only can members of the profession play a part in developing common approaches to natural capital accounting, but they can also help to embed its application in business decision making. This paper which is the lead article, focuses on the role that accountants are playing in the development of thinking, practice, and frameworks for accounting for and reporting on natural capital by businesses.

The next article talks about how finance professionals, have become influential in organisations in contemporary times. They are to be heard because of the key role they play in managing finances of organisations. They plan, advice, direct, forecast, and help top management achieve the objectives of organisations. They need to be financial savvy, but that may not be enough. The wind of constant change in the economic environment also requires the finance professional to understand the challenges associated with change. As a matter of necessity, they need to develop a paradigm shift in their approach to their responsibilities. Organisation development and change (ODC), therefore, becomes relevant to the work of the finance professional.

Human rights and business is an emerging area that is set to accelerate and, as no business can rest assured, without further investigation that their full supply chain is "clean", assessing and addressing potential risk in this area is clearly also a role for the professional accountant**.** In recent years, the operating environment for business has changed irreversibly. Companies will be increasingly called to account to show what they have done to prevent disasters and human right abuses by themselves and those within their supply chains. Existing business strategies and corporate plans should be reviewed to identify any human rights risk that may adversely impact stakeholders.

These and many more have been published in this edition. Your comments on this edition are welcome. You can also submit an article for publication in our subsequent publications.

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Thank you and enjoy your reading

Ofori Frimpong Henneh
For the Editor

IASB NEWS

1.1 IASB Issues Narrow Scope Amendments IFRS 2 Share Based Payment

The International Accounting Standards Board (IASB) has issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments address several requests that the IASB and the IFRS Interpretations Committee received. Respondents asked for clarification on: the accounting for cash-settled share-based payment transactions that include a performance condition; the classification of share-based payment transactions with net settlement features; and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) contains the following clarifications and amendments:

Accounting for cash-settled share-based payment transactions that include a performance condition. Until now, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

Classification of share-based payment transactions with net settlement features. IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Accounting for modifications of share-based payment transactions from cash-settled to equity-settled. Until now, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications: On such modifications, the original liability recognized in respect of the cash-settled share-based payment is derecognized and the equity-settled share-based payment is recognized at the modification date fair value to the extent services have been rendered up to the modification date. Any difference between the carrying amount of the liability as at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. Companies are required to apply the amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

For further reading please visit
www.iasb.org/publications

1.2 IFRS Foundation Publishes 2016 Pocket Guide IFRS Standards

The 2016 edition of the "Pocket Guide to IFRS Standards: The Global Financial Reporting Language" was published recently by the IFRS Foundation. Put together by ex-Board member Paul Pacter, the analysis outlined in the Pocket Guide is conducted across 143 jurisdictions representing 98 per cent of global GDP. It shows that IFRS Standards are required for all or most domestic publicly accountable entities (listed companies and financial institutions) in 119 jurisdictions—83 per cent of those surveyed.

Most of the remaining jurisdictions permit their use. In addition, 80 jurisdictions now require or permit use of the IFRS for SMEs Standard—a self-contained Standard specifically designed for small and medium-sized companies without public accountability—which was first issued in 2009.

It also demonstrates that there has been progress towards the adoption of IFRS Standards in Asia over the past year, with three-quarters of jurisdictions in the region now requiring the use of IFRS Standards and several major Asian economies moving closer to IFRS adoption. The analysis indicates that 74 per cent of jurisdictions in the Asia-Pacific region already require the use of IFRS Standards for domestic publicly accountable entities, and most of the other jurisdictions are progressing toward adoption. For example, there has been substantial recent progress towards IFRS Standards in three major Asian economies. In Japan, voluntary adopters of IFRS Standards and their share of market capitalization are increasing rapidly. 128 companies, representing a market capitalization of 27 per cent of the Tokyo Stock Exchange, are using or have publicly announced that they will adopt IFRS Standards.

An additional 213 companies (representing 16 per cent of market capitalization) are considering moving to IFRS Standards. This is a sharp increase from December 2012, when only 10 Japanese companies were using IFRS Standards. In China, in November 2015 the IFRS Foundation and the Chinese Ministry of Finance substantially updated the 2005 Beijing Joint Statement and reaffirmed China's commitment to achieve full convergence with IFRS Standards; and in April 2016, the first group of companies in India started using the new Indian Accounting Standards (Ind AS), a set of accounting standards that are substantially converged with IFRS Standards but with some mandatory and some optional modifications.

"It is great to see continued strong momentum in the progress towards IFRS Standards across the major Asian economies," says Hans Hoogervorst, Chairman of the International Accounting Standards Board. "In an ideal world, we would have one single, trusted global standard for financial reporting. Users of financial reports can now easily compare information from companies across nearly 120 jurisdictions, in every region of the world

http://www.cfoinnovation.com/story/11331

1.3 IASB Focus on Communication Effectiveness of Financial Statements

Hans Hoogervorst, Chairman of the International Accounting Standards Board), has outlined plans to prioritize improvements to the communications value of financial statements as the main outcome of the Board's recent Agenda Consultation. Speaking at the IFRS Foundation's annual European Conference—held in Zurich, Switzerland—Hoogervorst stated that the completion of several big IFRS Standards now allows the Board to focus its efforts on increasing the communication effectiveness of financial statements. He intends to prioritize the theme of 'Better Communication' during his second term as Chair, which commenced 1 July 2016.

"Valuable information gets drowned out by 'tick the box' disclosures and voluminous, but poorly organized and presented, financial statements," says Hoogervorst. "For the investor, it is often difficult to see the woods through the multitude of information trees. We will take a fresh look at how financial information is presented, how it is grouped together, and in what form it is made available." 'Better Communication' will bring together a number of work streams, including:

Primary Financial Statements—improving the organization and structure of the 'face of financial statements' (statements of financial position, financial performance and cash flows);
Disclosure Initiative—improving the quality and usefulness of financial disclosures through amendments;
Financial Instruments with the Characteristics of Equity (FICE)—clarifying the definition, presentation and disclosure requirements for such instruments;
Digital reporting—further developing the IFRS Taxonomy to ensure it meets electronic reporting needs and remains fit for purpose; and
Non-financial reporting—assessing strategic challenges and exploring any potential future role that the Board may play in this area. Hoogervorst also announced that the Board will be playing a more active role in supporting jurisdictions in the implementation of new and existing IFRS Standards.
http://www.cfoinnovation.com/story/11540/

1.4 IASB Details Practical Effects of Bringing Leases onto the Balance Sheet

The International Accounting Standards Board (IASB) is in the process of finalizing a new International Financial Reporting Standard (IFRS) that will require companies to bring leases onto the balance sheet. The IASB has published a document outlining the likely practical effects of the new Leases Standard, as well as details on the similarities and differences between the IASB's requirements and those of the US Financial Accounting Standards Board (FASB). Deliberations by the IASB on the new accounting model for leases will be completed soon and the final Standard is scheduled to be issued later this year.

Responding to calls from stakeholders for further information on the possible effects of the new Standard, the IASB staff have developed a document comparing the new and current accounting requirements. The IASB and the FASB have been working jointly on the Leases project and have reached the same decisions in many areas, including requiring leases to be shown on the balance sheet, how to define a lease and how lease liabilities should be measured. However, there are some differences between the two Boards' models and the document provides an overview of the likely practical effects of these differences. “Our stakeholders have asked for more details on how the new Leases Standard will change things in practice," says Hans Hoogervorst, Chairman of the IASB. "The most important difference is that the new Standard will provide a richer set of information for investors than is available today, which, in turn, will aid their decision making."

The main change that will be brought about by the new Leases Standard is an increase in assets and liabilities on the balance sheet for those companies that currently have a large amount of leases off balance sheet, thus improving the transparency of a company's leverage and asset base.” In addition to changes to the balance sheet, the new Leases Standard is likely to result in some important differences on the income statement. Among them is the reporting of higher operating profit compared to the current requirements – and in comparison to the FASB's model. There will be no changes to total cash flows but, in the cash flow statement, the amount of operating cash will increase while the amount of financing cash will decrease.

The IASB's analysis concludes that the costs to companies of applying the new Standard will be broadly similar for both the IASB's and the FASB's model. The document also looks at other potential implications of the leases accounting model, such as the possible impact on the cost of borrowing. It clarifies that the new Standard will provide more transparent information about a company's financial commitments, but does not change those commitments. Therefore, should the Standard affect the cost of borrowing for a company, this will be because the improved reporting provides lenders with new information that is relevant and important to their decision making. The effects of the new Leases Standard will also be discussed at the next Accounting Standards Advisory Forum meeting.

http://www.cfoinnovation.com/story/9595/

1.5 IASB Makes Progress Improving Effectiveness of Disclosure in Financial Reporting

The International Accounting Standards Board (IASB), responsible for International Financial Reporting Standards (IFRS) required for use by more than 100 countries, has issued amendments to IAS 1: *Presentation of Financial Statements;* as part of its major initiative to improve presentation and disclosure in financial reports. Improving the effectiveness of disclosure is widely considered to be one of the most important and challenging tasks in financial reporting. Many respondents to the IASB's Agenda Consultation completed in 2012 asked the IASB to review its Standards to explore ways to improve the disclosure requirements.

The IASB is responding to this challenge through its Disclosure Initiative - a portfolio of projects that includes targeted actions as well as a broad and ambitious review of disclosure requirements.

The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The amendments mark the completion of the five, narrow-focus improvements to disclosure requirements that the IASB had identified following its 2013 Discussion Forum. The IASB is working closely with national and regional accounting standard-setters, drawing on work they have undertaken in their jurisdictions.

As part of the Disclosure Initiative, the IASB has also published for public comment an Exposure Draft of proposed amendments to IAS 7 Statement of Cash Flows. That proposal responds to requests from investors for improved disclosures about an entity's financing activities and its cash and cash equivalents balances. “There is a real appetite for improving disclosure in financial reporting," says Hans Hoogervorst, Chairman of the IASB. "While problems with disclosures cannot be solved by the IASB alone, we do have an important part to play. The announcement shows that we intend to deliver on this challenge.”

2. ICAG NEWS TITBITS

2.1 ICAG Holds its 52nd Annual General Meeting

The Institute of Chartered Accountants, Ghana has held its 52nd Annual General Meeting (AGM), to climax the 2016 Accountants' Week Celebration. The meeting which was well attended by members was held on the 29th of July, 2016 at the Labadi Beach Hotel. Some of the dignitaries who attended included Council members, former council members, and past presidents. The meeting was to receive the accounts for the financial year 2015, and conduct other businesses which included election of new council members.

However, in the course of discussing the accounts, it was found out that there were some technical issues with the accounts and the way the auditor issued his report on the financial statements. The Council subsequently withdrew the accounts and promised to do all the corrections and resubmit it at a later date. The voting and election of new council members however went on smoothly. In all fifteen persons contested for the seven positions at stake. The election, which was well coordinated was assisted by staff of the Ghana Audit Service, which were there to ensure that the processes of election are orderly, transparent, and free and fair.

Newly elected Council Members posed for a group photograph after the election.

The Newly elected Council taking the oath of office administered by Mr. Blankson

Mr. Blankson decorating the President and the Vice President with the Pendant signifying their authority of office

The President delivering his acceptance speech after inauguration to office

2.2 ICAG Elects New Members To The Council

The ICAG at its 52nd Annual General Meeting, have elected new members to the Council, who will steer the affairs of the Institute for 2016 – 2018. The election was well organised and keenly contested. The results of the election were as follows:

CONTESTANT	NO. OF VOTES	% OF VOTES	POSITION	REMARKS
1. Dr. Williams Atuilik	497	12.61	1	Elected
2. Prof. K. Adom-Frimpong	426	10.81	2	Elected
3. Mr. Christian Sottie	398	10.10	3	Elected
4. Ms. Sena Dake	381	9.67	4	Elected
5. Mr. Kwasi Asante	360	9.14	5	Elected
6. Mr. K. Hemeng-Ntiamoah	306	7.77	6	Elected
7. Ms. Rebecca Atswei Lomo	299	7.59	7	Elected
8. Prof. Marfo-Yiadom	295	7.49	8	Not Elected
9. Mr. Robert Donaldy	228	5.79	9	Not Elected
10. Mr. Michael Asiedu-Antwi	206	5.23	10	Not Elected
11. Dr. K. Antwi-Boasiako	171	4.34	11	Not Elected
12. Ms. Frances Sosoo	159	4.04	12	Not Elected
13. Mr. Nii Akwei Tetteh	100	2.54	13	Not Elected
14. Mr. Prince Yaw Essah	91	2.31	14	Not Elected
15. Mr. Dick Gordon Anaman	23	0.58	15	Not Elected

In line with the Chartered Accountants Act 1963, Act 170, the first seven persons with the highest votes were elected to serve as Council members for 2016 to 2018. Other nominees from government are:

1. Mr. Kwasi Gyimah-Asante – a Commissioner at the Ghana Revenue Authority (GRA) representing GRA.
2. Mr. Richard Q. Quartey – the Auditor General at the Ghana Audit Service representing the Audit Service.
3. Mr. Seidu Kotomah – the Ag. Controller and Accountant General at the Controller and Accountant General's Department (CAGD) representing the CAGD.

The fourth person is yet to be nominated by the government as required by the Chartered Accountants Act.

2.3 ICAG Holds Presidential Luncheon For 2016

The president of the Institute of Chartered Accountants, Ghana (ICAG), Mr. Christian Sottie, has stressed the need for accountants to uphold the ethics of their profession, as failure to do so will be a disservice to the nation in the fight against corruption. He further stressed that the rot and indiscipline in our society require that we place emphasis on a set of professional knowledge, skills, values, ethics, and attitudes broad enough to adapt to the dynamics in the business environment. Mr. Sottie made these remarks when he was delivering his welcome address at the 2016 Presidential Luncheon at the Movenpick Ambassador Hotel in Accra on the 9th of September, 2016.

The President of ICAG indicated that as custodians and keepers of the nation's wealth, accountants cannot afford to disappoint the citizenry. Held under the theme 'Effective Governance in Organisations: the Role of the Chartered Accountant', the event brought together a sizable number of professional accountants to interact with their employers, clients, and colleagues in a congenial atmosphere. Mr. Sottie said it was imperative that accountants helped stamp out corruption in the society using their offices, by strictly adhering to the ethics of the profession, without compromising their integrity.

He further advised that accountants should guard against all manner of abuses capable of leading to corporate scandals and financial malfeasances that could threaten corporate relationships. Mr. Sottie admonished accountants to broaden their knowledge and global outlook in order to understand the context in which businesses and organisations operated internationally.

He indicated that as the world moves towards global market economies with investments and operations crossing borders to an ever greater extent, it is imperative that accountants enhance their expertise to be relevant always.

The Chief Justice of Ghana, Mrs. Georgina Theodora Wood, who was the guest of honour, for the occasion, underscored the importance of team work, stressing that team work is required to efficiently run any organisation. She noted that the technical, operational, managerial staff, and the board of organisations should cooperate and promote team work and good governance in their respective institutions to ensure transparency, accountability, integrity, and avoid corporate failure which is as a result of poor corporate governance.

The main speaker for the occasion, Nii Adumansa-Baidoo, who was a former Chief Executive of the Ghana Civil Aviation Authority, and the current Chief Executive of NABS Business Consulting, observed in his presentation that, some people in top positions sacrifice the broader corporate objectives of their organisations for their personal gains. According to him, such attitude endanger the growth of institutions and render them ineffective and unproductive. He therefore reminded accountants of their role in ensuring good governance, stressing that they should justify the commitment of both board and management to excellent customer service through written disclosures like value added statements. Nii Adumansa-Baidoo stressed that accountants must assist management to implement the policies timeously through strategic planning and budgeting. He indicated that the best practice requires that all the processes should involve the board, management, and employees to achieve organisational goals.

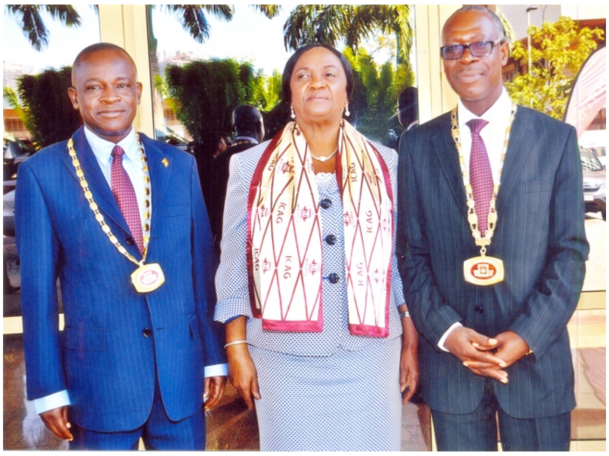
Some of the members at the Luncheon

The Chief Justice, Madam Theodora Wood delivering her speech as a special guest of honour.

Some of the members enjoying their meals.

The Chief Justice being decorated with ICAG Ladies' scarf as an honorary member of ICAG

Some of the members waiting in turn to serve their meals.



The Chief Justice in a photograph with the President and Vice President of ICAG

3. FEATURES

3.1 Culture and Cost Control Go Hand in Hand

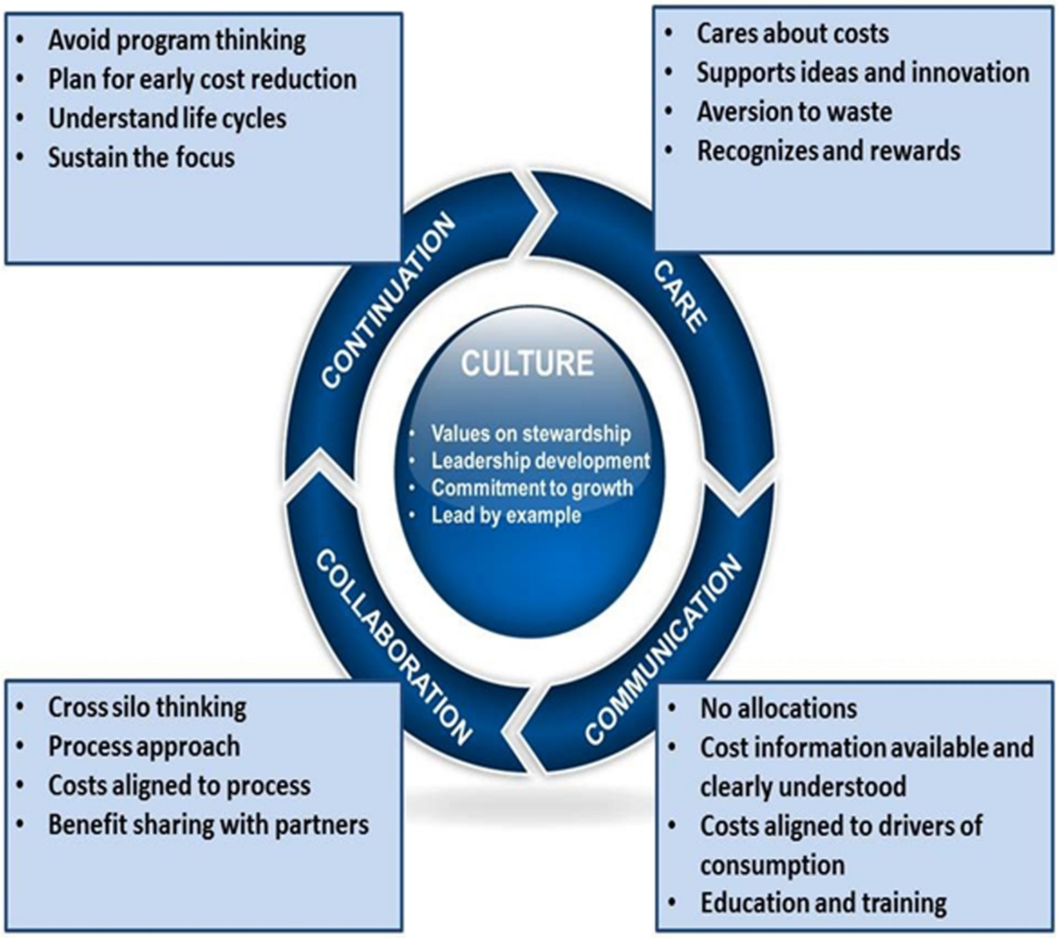
By Nick A. Shepherd, President, EduVision

Corporate culture is finally emerging as a critical issue for effective governance and performance; there are even consultants who promise to benchmark your organizations culture against "best practice" so that you see where the gaps are and start to change your culture. This is probably in itself a sign that you should avoid these consultants, because culture is unique to every business—not something that can be created by following what others do. In many situations this uniqueness in culture explains why many organizations try and implement process improvements developed by successful companies, such as Toyota, yet don't achieve the same results. The result is often millions of dollars invested and wasted in ideas that fail to deliver the desired returns.

So why should this interest financial managers and in particular those in business?
Financial managers play a key role in guiding decisions around cost control and minimization in every organization no matter what sector they work in—manufacturing or service, public or private sectors, small- and medium-sized entities, family business or multi-national corporations. Everyone is struggling to minimize cost. For most organizations, payroll and people -related costs represent a major piece of the cost picture; the other major cost is often supplier costs, which for many are a growing element as more organizations out-source and sub-contract many functions.

Many financial managers focus on reducing payroll costs through headcount reductions as an approach to sustaining the bottom line. This constant approach to taking cost out of the system and forcing employees to find a better way of doing things drove continual improvement. In today's businesses, there is a great deal of emphasis on competitive advantage through customer focus and responsiveness, process effectiveness, innovation, partnerships with key suppliers, agility, and many other initiatives. What is the connection between developing these organizational capabilities in parallel to cost reduction? The answer is that if approaches to cost management and reduction are "done right" an organization can harness the power of human capital to deliver on all these competitive capabilities. However, if "done wrong" the financial manager can be aiding and abetting the destruction of these organizational capabilities and, ultimately, the organization itself. In the desire to enhance financial capital through improved profitability, all other "capitals" (in particular human capital, the driver of many organizational competitive advantages) can be depleted.

The Institute of Management Accountants' document, *The Behavioural Aspects of Cost Management,* set out the background to the changing competitive environment and the approaches needed to address effective cost management and control. The approach to "doing it right" is based on a 5C framework where organizational culture is at the centre.



The challenge for many accountants is that culture is strongly related to the soft skills that impact relationships both internally and externally. While professional accountants must develop their soft skills for personal career reasons—such as their ability to interact with others and influence decision making—this need extends across the whole organization and must be part of its expected behaviour. In the same way that traditional approaches to economics that assumed the "rationality of decision making" have been proven to be broadly invalid and lead to behaviour-based economics, so it is with accounting. Accountants intuitively know the truth of un-anticipated behaviour relative to internal controls, where employees who fail to buy-into the need for controls may make their own decisions on whether or not to comply. Where this failure in underlying buy-in exists and is complemented by an environment of low ethical standards, the results can be disastrous.

While the 5C approach starts with culture as a core aspect of strategy and organizational purpose, it embraces other key aspects—some of which parallel the *14 principles of W. Edwards Deming* in terms of embedding quality into an entities' culture. The next C is caring about cost as an organizational commitment. While culture creates the base for this effective approach, areas such as organizational structures, compensation frameworks, control systems, and procedural alignment are all important aspects. If these aspects, within which employees carry out their day-to-day responsibilities, discourage caring about cost then employees are not encouraged to pay attention to cost. Employees may react with an attitude of "why should I care" and "what's in it for me" behaviour.

The next C is for *communications*, an area where management accountants have a major role. For cost management to be effective, cost information must be understandable and aligned with the reality of the business—such as aligning process management and cost consumption through application of activity-based accounting. In addition, training to understand cost management and control must be in place for all decision makers. Responsibility and accountability for cost control must be clear. Allocations are frequently inconsistent with effective cost communication. Again, engagement and involvement are key to successful commitment to cost management, control, and reduction.

The next area is *collaboration*; this C focuses on the reality that in most organizations, the management of costs are inter-dependent and require focus on cross-silo and cross-functional efforts. This requires that costs are presented in a framework that aligns with cross-functional process management and also that there are effective approaches to teamwork and collaboration between departments. This extends to the ability to reward improvements on a team rather than individual or departmental basis, and also to ensure there is a culture that extends the sharing of cost-reduction benefits to all stakeholders involved, including suppliers.
Finally, one of the principles Deming talked about was not resorting to slogans and campaigns to ensure consistent quality. The same consistency of purpose is core to effective cost control.

The final C is all about *continuity;* many financial managers become caught up in the periodic push for enhanced performance to meet quarterly or annual goals and the often short-term initiatives around cost reduction that support these.

Among the several aspects included in continuity is the focus on communicating organizational context to key stakeholders on a continual basis—the reality of the competitive environment within which the business operates. This aspect of education cannot be over-emphasized—people need to understand why just as much as what and how in order to become engaged. In addition, efforts must be continuous and driven around concepts such as life-cycle management and communication of costs-savings goals and achievements. Focus on costs cannot be absent in the good times and then apply only in the bad times.

The accountant's traditional focus on the task of both accounting and cost management cannot just be driven by systems and processes. These must be supported by and aligned with the human dynamics and the internal frameworks that impact how people behave. Accountants can influence cost control but at the end of the day, people control costs across the organization and to be effective everyone must want to participate in these efforts.

Source: www.ifac/publications-gateway

3.2 Natural capital and the accountancy profession: applying traditional skills to new thinking and practice

Natural capital has been defined by the Natural Capital Coalition as 'the stock of natural resources (e.g. ecosystems, species, air, water, land, soil, etc.) from which people can derive benefits'.

This paper focuses on the role that accountants are playing in the development of thinking, practice and frameworks for accounting for and reporting on natural capital by businesses.

The aims of this paper are to help readers understand:

1. The different subgroups of the accountancy profession and their main roles.
2. How accountants are involved in the major natural capital accounting initiatives that focus on the corporate sector.
3. The issues, opportunities and challenges accountants are considering in relation to natural capital accounting and reporting by businesses.
4. The value accountants can and do contribute to addressing challenges with natural capital accounting.

The challenge.

Growing interest, among businesses, investors, governments and wider society, in the concept of natural capital accounting is driving a range of initiatives developing tools and frameworks for entities and advisers. Natural capital impacts and dependencies, risks and opportunities are being seen increasingly as potentially material issues that businesses and investors should manage.

This has direct relevance for the accountancy profession. Not only can members of the profession play a part in developing common approaches to natural capital accounting, but they can also help to embed its application in business decision making. Such participation is already taking place, and presents a real opportunity to improve performance in relation to natural capital, but could the various subgroups of the accountancy profession be doing more?

To help support effective engagement among policymakers, natural capital specialists and accountancy professionals, this paper sets out the key roles and spheres of influence of the different subgroups within the accountancy profession. It describes where and how the different parts of the accountancy profession are already involved in natural capital accounting initiatives and applications, and highlights the value that such involvement can bring.

What do we mean by natural capital accounting? The term 'accounting for' can be interpreted in different ways. For example, it could just mean 'taking something into consideration', so it is important to define 'natural capital accounting' clearly. In this report the term 'natural capital accounting' is used to mean the process of systematically recording a business's natural capital impacts and dependencies, assets and liabilities in a consistent and comparable way. This does not necessarily involve any attaching of value to these factors.

The accountancy profession in focus.

Though often referred to as a homogeneous entity, the accountancy profession can be divided into distinct subgroups. This report identifies five: standard setters, professional bodies, professional firms, qualified accountants and accounting academics. Each group has a different role in the traditional accountancy landscape, and is also helping to develop thinking and practice in natural capital accounting.

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Though often referred to as a homogeneous entity, the accountancy profession can be divided into distinct subgroups.

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The role of the standard setters encompasses: in financial accounting, setting the rules and guidance that professional accountants follow when preparing financial statements; in sustainability reporting, creating a framework for reporting sector-specific information. The IASB focuses on setting standards related to the accounting for and reporting of financial information – called International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) (older standards). The IASB follows a rigorous due process when developing new standards, typically issuing discussion papers and exposure drafts for public comment before publishing the final standard. The process generally takes several years. The Sustainability Accounting Standards Board (SASB) is developing industry-specific sustainability accounting standards designed for use primarily by companies listed on US stock exchanges in mandatory filings with the US Securities and Exchange Commission. The aim is to provide material information relevant to investors. SASB sees itself as complementing other sustainability-related initiatives such as the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC). It also has a memorandum of understanding with CDP (formerly Carbon Disclosure Project), the body that runs the Climate Disclosure Standards Board, dedicated to the integration of climate change-related disclosure into mainstream corporate reporting.

Natural capital has not traditionally been addressed in the financial reporting standards applied by the accountancy profession. Nevertheless, the development of SASB's industry-specific sustainability standards suggests that this could change in future. The development of such (currently voluntary) standards to encourage corporate reporting on natural capital is seen as important for enabling greater analysis of associated risks and opportunities.

Core or non-core?

The impacts of business and its dependency on natural capital do not generally feature in financial statements, and are therefore outside the core focus of the IASB. That said, a number of standards touch on natural capital issues, such as IAS 41 Agriculture.

The IASB is undertaking a comprehensive project looking at the feasibility of developing one set of reporting requirements for a wide range of investigative, exploratory and developmental activities seen as having qualitatively the same characteristics. For example, this could encompass drug development as well as exploration for natural resources. The IASB also currently has on its agenda a project on 'pollutant pricing mechanisms' (formerly emissions trading schemes) and is considering taking a fresh look at the accounting issues involved. Natural capital may come within the IASB's remit more directly in future if monetary values are applied to it and momentum behind its inclusion in financial statements grows.

Natural capital does not yet come within the daily job remit of most professional accountants.

Nonetheless, professional accounting bodies recognise that natural capital accounting and reporting will become increasingly relevant to members: both those in businesses who need to help management and boards understand their dependencies and impacts on natural capital, and those in professional services firms advising corporate clients on how to operate efficiently and sustainably. Professional bodies are therefore supporting natural capital accounting developments in a variety of ways.

Support for global and local initiatives. Professional bodies are supporting a number of the current global initiatives (e.g. the Natural Capital Coalition), providing facilities and expertise as appropriate. Initiatives of a more local nature are also supported. The Institute of Chartered Accountants of Scotland (ICAS), for example, is one of the founding members of the Scottish Forum on Natural Capital. “ICAS believes that it is important for us as an organisation, and for our members, to embrace and support developments in natural capital accounting. Corporate reporting is changing and modern accounting methods need to go further than the traditional bottom line approach and so must also evolve to incorporate our consumption of the earth's natural assets.” Again support for the development of thinking about natural capital issues is provided through sponsorship of events, surveys and research. ACCA, ICAEW, ICAS and CIMA have all been active in this respect. For example, in May 2014 CIMA published a well-regarded report titled Accounting for Natural Capital: The Elephant in the Boardroom. Research and reports produced by accounting bodies are shared globally by the umbrella organisation IFAC, which promotes such material online through its global knowledge gateway.

Accountancy bodies are also developing relationships with academics in the natural capital accounting field and sponsoring conferences. For example, the ICAEW's 'Rethinking Capitals' conference in December 2014 looked beyond financial capital, addressing issues such as whether it is possible to put a value on nature. “We are involved in natural capital because not only is it a matter of public interest but also because it is a major business issue. In the end our economic success depends on environmental sustainability. If businesses are going to take account of their dependencies and impacts on nature, they need to have a flow of information about those dependencies and impacts. That's what accountants can help provide. You need the right information going to the right place so the right decisions can be made at the right time.” Richard Spencer, Head of Sustainability, ICAEW.

Raising awareness.

The professional accounting bodies are trying to raise awareness of natural capital issues among members, and business leaders more widely, through the publication of articles in member magazines and journals. They have also set up forums to look specifically at issues related to natural capital. ACCA, for example, runs a Global Sustainability Forum chaired by Mike Kelly, Head of Corporate Social Responsibility at KPMG and Chair of the Living Wage Foundation.

IFAC believes that professional accountants working in business and the public sector influence corporate behaviour and decision making from operations to the boardroom. To ensure their organisations are more resilient, they need to help organisations take into account natural capital in decision making.

It is time for professional accountants to engage with relevant natural capital challenges as a strategic, competitive, and financial issue and facilitate debate about how natural capital relates to their organisation's strategy, business model, performance outlook, and social licence to operate.

Education.

Natural capital is not yet included in the exam syllabus of the typical accountancy body, though it may be alluded to in relation to the development of Integrated Reporting or in case study exam questions where students are encouraged to show understanding of wider business issues. Once qualified, professional accountants are expected to undertake Continuing Professional Development (CPD). Again, natural capital does not currently feature in CPD materials produced by professional bodies, though this could change in future if members begin demanding such material.

Professional firms

The role of the professional firms encompasses: providing regulated services such as the audit of financial statements, providing tax advice and compliance services to clients, offering additional advisory and assurance services in relation to mergers and acquisitions, fund raising, risk management, finance operations, business processes, etc., participating in research and thought leadership on emerging accounting and business issues, supporting professional bodies and standard setters through participation in committees and working groups, and training professional accountants. Accountancy firms already provide their clients with services that address natural capital risks and opportunities. Firms are willing to share their expertise in developing a common framework for natural capital accounting, but emphasise that it must be based initially on the information needs of business.

Working with business.

Professional accountancy firms provide services to help clients meet any external reporting needs in relation to natural capital, but this is not the main part of their work. Firms see their role as primarily supporting clients in meeting their internal natural capital information needs. Organisations are interested in natural capital initially from the perspective of how they can manage their interactions with natural capital better for the benefit of their business, though also to get better outcomes for natural capital through reducing impacts. They are interested in understanding their dependencies on natural capital and the associated risks and costs, and more recently their impacts, both positive and negative, on society.

“When organisations value dependencies they are thinking about the potential impact on the bottom line. For example, if a business didn't have access to water from a groundwater source, what would it cost to replace that? Whereas organisations think about impact on society, they think about the cost to society of the change the company is making. The cost to the business might be nominal or zero, but the cost to society might be significant. The techniques we use when looking at dependency or impact might build off the same resource consumption data set, but then diverge very quickly.

Developing methodologies and tools.

Accountancy firms, in response to client demand, have been developing their own methodologies and tools to help businesses understand their natural capital risks and opportunities. For example, PwC has developed a Total Impact Measurement and Management (TIMM) framework to help organisations understand how different activities have an impact on the environment, and contribute to the economy, tax revenues and society.

The firm has also recently made public its methodology for valuing corporate environmental impacts and creating environmental profit and loss accounts. Likewise, KPMG has developed a True Value methodology, of which natural capital forms a subset alongside social and economic capital. The methodology looks at the changing drivers of business to help organisations understand their impacts and dependencies on both social and natural capital, as compared with their financial impact. It is a risk-based approach designed to help companies assess both where they are most at risk of experiencing a financial cost and opportunities for new areas of business as a result of (currently) non-financial costs or benefits associated with social or natural capital.

Support for a harmonised framework.

Big Four firms are providing support to major initiatives focusing on developing thinking and practice in natural capital accounting, for example by sharing their methodologies with those developing the Natural Capital Protocol. Firms are also aware of the 'interesting dynamic of competition versus collaboration' – they are competing to provide specialist natural capital services to businesses, but also see value in collaborating to achieve common approaches. This tension also arises within industry sectors – organisations can seek competitive advantage by gaining better understanding of their natural capital dependencies, but could also gain insight by sharing data with competitors.

A practical and business-focused approach is developed to help companies build natural capital accounting into their operations as a way to improve and protect margin; and also to enhance their risk resilience with the objective of supporting business growth in the long term. Some companies are already beginning to account for their impact on natural capital. Many methodologies already exist. What organisations need now is to be presented with a common approach for assessing impacts or inputs. So many tools are in use and companies find it complex to understand the core issue. So developing a generally accepted corporate natural capital accounting is a crucial step

A new understanding of corporate value.

It's important we recognise that natural capital accounting is different fundamentally from financial accounting. Financial accounting is accounting for the fact that I do not own the assets of this business, but I steward them on behalf of a shareholder. Natural accounting should therefore be about the fact I do not own the asset of natural capital that I have influence and control over but that I steward on behalf of the natural world. What companies need to be thinking about and measuring accurately, in a way that is compatible and comparable and reportable and meaningful, is their ability to steward the natural environment on behalf of all of us.

The vision is that we get to a point where how investors think about corporate value and how business leaders think about corporate value becomes aligned. And it becomes aligned around a far more sophisticated understanding of the broad depths of what business leadership has stewardship over, that embraces financial stewardship and raises up social and environmental responsibilities to a level of equivalency.

So when one is making decisions, he is making them based on the best impact he can have on all those things. And as the investor community, you respect that and reward him for being a good steward of the broad spectrum of his responsibility, rather than just because he managed to squeeze an extra quarter of a percentage point out of the bottom line.

Putting management needs before reporting standards.

Firms have some concern that reporting standards for natural capital could be developed before fundamental issues are addressed – such as establishing the important building blocks of data that companies need for making management decisions. The two need to go hand in hand, but the information needs of companies should be the dominant factor. Such a development path for natural capital accounting and reporting would follow that taken over many years by financial reporting – internal data needs are established first, aiding decision making, with any potential for external reporting standards and requirements explored following on from this.

The role of qualified accountants encompasses: working in professional firms to provide audit and advisory services to clients, working in business, preparing management accounts for internal control and decision making or preparing financial statements for external reporting, e.g. to investors, working in the finance teams of public sector or non-profit organisations, performing many other roles (e.g. as independent consultants, academics, writers), participating in the development of accounting and tax rules, etc. through membership of committees or by responding to consultations.

Qualified accountants are beginning to experiment with natural capital accounting and to consider the challenges associated with it. They see value in developing an approved international framework for natural capital accounting, emphasising the importance of building this so as to meet business needs as opposed to external reporting expectations. Qualified accountants believe they have relevant skills that can be applied to the natural capital area, but also see need for specific training to enhance their understanding.

The importance of an agreed framework.

As businesses begin to experiment with natural capital accounting, they look to see what external frameworks are available to support them. They also call in external expertise from a range of specialists, including professional accountancy firms that have developed their own methodologies. This can lead to a confusing variety of approaches being applied across different businesses and make it hard for external stakeholders to understand the outputs. As interest in natural capital grows, so does the importance of creating an agreed framework for companies to use. Accounting for natural capital could have great value, but it has to be transparent and it has to be through protocols that are broadly agreed, stakeholder inclusive and credible from a scientific perspective as well as the business perspective. A failure to be transparent and inclusive could significantly undermine the credibility of these approaches.

Prioritising business needs.

While there is a need for an agreed natural capital accounting framework, qualified accountants understand that this needs to be developed in such a way as to encourage and support business consideration of natural capital risks and opportunities.

Their views therefore align with those expressed by professional firms. Any framework should be based on enabling business to access the information it needs to take management decisions, with any external reporting requirements following on from that. This is the best way to ensure that material issues are emphasised and business leaders' attention secured. Trying to impose external reporting requirements first could turn natural capital accounting into a compliance exercise seen as having little value by internal management – losing senior management commitment and killing off what could otherwise have been a useful initiative.

Qualified accountants understand there is a debate about whether one could or should value natural capital, but consider some form of quantification useful for internal management purposes. This can help businesses to track increases and decreases in natural capital, and to trigger action if the change is perceived to be indicating the emergence of a critical risk to the business. Sensitivity analysis could be usefully applied, reflecting the fact that there are many unknown and uncertain factors involved in the field of natural capital.

Events triggering interest in natural capital.
Natural capital is not embedded in the decision-making processes of most businesses. Nonetheless, when an event such as a merger or acquisition occurs, such issues become important because of their potential impact on business valuation. Qualified accountants see the importance of changing business processes so that natural capital risks and opportunities are addressed as part of routine management operations.

Auditor perspective.
Natural capital issues are beginning to arise in audit assignments, but not typically in relation to the financial statements. Questions are more likely to be asked about the front, narrative section of the annual report, eg the strategic report. Auditors will be reviewing environmental or natural capital disclosures to see if they are fair, balanced and understandable although, in practice, few entities are currently making any detailed statements about natural capital in their annual report and accounts.

Investor interest.
Qualified accountants believe that increasing interest from investors and analysts will increase pressure on companies to identify risks and opportunities associated with natural capital. Management teams will therefore need to begin accounting for natural capital internally when managing their businesses, and be prepared to report externally on their actions. Those that fail to do so risk losing investor support.

Developing expertise.
While qualified accountants have many skills that can be applied to the area of natural capital accounting and reporting (such as an understanding of the importance of data quality and comparability), they could benefit from additional training in the issues involved. At the moment, such specific natural capital content is not included in the examinations accountants must pass to gain their professional qualifications. Today's qualified accountants – certainly those who are already aware of the importance of natural capital – see value in including natural capital in the exam syllabus, as well as material made available for Continuing Professional Development, which professional accountants are required to undertake.

Accounting academics

The role of accounting academics encompasses: conducting research into current issues in accountancy for submission to academic journals or for reports produced in collaboration with professional bodies and others, providing degree courses (undergraduate, post graduate, MBA) for university students, participating in standard setting (eg as members of standard-setting bodies), sharing insights with professional accountancy bodies and other associations through membership of working groups, expert groups and forums.

Some accounting academics are becoming increasingly interested in areas of research that extend beyond traditional accountancy to encompass sustainability and natural capital issues. Individuals are keen to work with others to examine new accounting concepts and approaches, while also exploring how university courses can be expanded to provide a broader education to the next generation of business and finance leaders.

Building relationships.

Accounting academics are keen to develop relationships with all parties involved in the development of natural capital accounting – international initiatives, accountancy bodies, accountancy firms working in the area and businesses and financial institutions, to help them understand sustainability risks. These relationships are often informal and based on discussions of ideas, opportunities and challenges. More active or structured working relationships would be welcomed by the academic community. Academics are involved in some formal research projects, however, for example, writing a background study of the various forms of capitals recognised by the IIRC in collaboration with colleagues from ACCA, Big Four firms and others.

Understanding conceptual differences.

Accounting academics appreciate the differences between financial accounting and natural capital accounting. Financial accounting is market oriented and designed to meet the information needs of shareholders and other stakeholders, whereas natural capital embraces broader concepts such as value to society. Accounting academics are interested in the relationship between the two and in exploring ways that natural capital could be brought into mainstream corporate reporting. They are also interested in exploring differing approaches to value – which can be monetised, quantified or considered in purely qualitative terms – and how the term 'capital' is used differently by different (non-accounting) disciplines. However, there is a backlash in academia to the use of the word 'capital' for social or environmental issues because there is a fear it will lead to pricing, to monetising, when it is inappropriate. Across the disciplines there's a huge range of difference in terms of how people conceive capital, and accountants have to recognise this. For accountants, financial valuation underpins their conception of what capital is. In other disciplines, it might be about a store of value but without necessarily seeking to monetise the value.

Collaboration will be needed.

The development of natural capital accounting should be a collaborative effort, in the view of accounting academics. Those developing frameworks and guidance could make use of traditional accounting expertise and systems for capturing information, measuring, reporting and establishing accountability. Nonetheless, accountants' skills are not sufficient on their own – they need to be combined with those of other experts, such as environmental economists.

Education

The inclusion of natural capital in MBA and accountancy courses is rare, but this could change. The Oxford MBA has just introduced a new module on 'Responsible leadership', which will include discussion of the nature and purpose of the corporation. The core MBA accounting course has also been updated to include consideration of broader corporate reporting issues – including the possibility of accounting for natural capital. Student demand for such content is growing strongly.

Challenges

One of the challenges for academics concerned with natural capital accounting is that the topic falls under several disciplines. Opportunities for publishing papers on interdisciplinary subjects in academic journals are relatively limited. Some academics also believe that academic papers lack influence because they are not written in a way that will attract the attention of those working to develop frameworks for natural capital accounting or trying to apply such approaches in business. Their influence in practice may therefore be limited.

Major business-focused natural capital initiatives: accountants play an important part

A wide variety of natural capital initiatives are under way around the world, some focusing on national accounts and government reporting, others directed at the business community. This report focuses on the major natural capital initiatives that are primarily designed to help businesses address their natural capital impacts and dependencies, risks and opportunities. Natural capital initiatives require input from a range of disciplines – including members of the accountancy profession. Their involvement is considered highly valuable, though they need to be open to different ways of thinking.

Process, presentation and reporting expertise

The accountancy profession has developed expertise in all aspects of financial and management accounting – including how to draft robust reporting standards, establish controls over data and present financial information so as to represent the activities of an organisation appropriately. This expertise can usefully be applied to natural capital accounting and reporting. At this early stage of the development of natural capital accounting, it is vital that accountants work with other experts to develop the right tools to support the production of relevant, reliable information.

An understanding of materiality

Establishing what aspects of natural capital are relevant to individual businesses and society involves the concept of materiality. Organisations need to be able to identify the issues that could affect them in a significant way, so that time and resources can be applied for maximum benefit. Materiality is a key principle underpinning financial accounting, so accountants can share their knowledge and experience when applying the concept to natural capital frameworks.

Assurance – an important future role?

As external reporting of natural capital begins to develop, reported information will need to be subject to some form of assurance. The accountancy profession has expertise in providing audit and assurance services covering financial information, so there is some expectation that those skills could potentially be applied to natural capital information. New techniques or approaches to checking such data may be required, depending how the latter is reported. The nature of the opinion given on the reliability of that data may need to evolve as well, because information on natural capital is likely to have more inherent uncertainty than financial information.

A staged development, multi-discipline approach.

At some point there may be a need for specific financial reporting standards to be developed – for example, if natural capital risks (or assets) begin to be addressed in financial statements with values attached. In the meantime it makes sense to involve accountants in the process of developing a more general natural capital accounting framework to help to standardise approaches, encourage businesses to take action and support the creation of data that contributes to business decision making and aids comparability. There is some concern, however, that, perhaps as a result of accountants' influence, monetisation and an over-simplification of a complex natural environment into one index or score might be introduced into natural capital accounting without providing the necessary context to allow for better-informed decisions to be made. It is important, therefore, that accountants understand the views of other disciplines and do not assume that traditional accounting measures (such as monetary values) will always be appropriate or sufficient on their own.

There is a great opportunity to make significant progress towards future natural capital accounting by getting traditional financial accountants to become more familiar with the logic behind the measurement and valuation of natural capital; and allowing natural capital experts, in particular environmental economists, to become more familiar with accounting. Together we can explore what needs to happen on the road towards a natural capital accounting standard. The involvement of representatives from the accounting profession in the development of the Natural Capital Protocol is hence very positive.

Calls to action.

Natural capital accounting and reporting are in the early stages of development. For those now looking at the issues involved, this is clearly seen as an area of high importance for the accountancy profession. Five contributors; namely, the standard setters, professional accountancy organisations, accountancy practice firms, accountants in business, and accounting academics, have shared their views on why natural capital matters to accountants, why they need to be involved, and the part they can play in developing an approach to natural capital accounting that really meets the needs of business and society.

3.3 ORGANISATION DEVELOPMENT AND CHANGE FOR FINANCE PROFESSIONALS

By Rev. Nicholas Darko, MA (OD), BTH (hons-cum laude), FCCA, ICA

Introduction

Finance professionals, such as finance officers, accountants, financial analysts, corporate treasurers, auditors, etc. have become influential in organisations in contemporary times. They are to be heard because of the key role they play in managing finances of organisations. They plan, advice, direct, forecast, and help top management achieve the objectives of organisations. They need to be financial savvy, but that may not be enough. The wind of constant change in the economic environment also requires the finance professional to understand the challenges associated with change. As a matter of necessity, they need to develop a paradigm shift in their approach to their responsibilities.

Organisation development and change (ODC), therefore, becomes relevant to the work of the finance professional.

Professor K. B. Omane-Antwi's(2009) calls for accountants to learn to adapt to the changing trend and provide value added services, re-echoes Dr M. N. Boyd's (2008) admonishing that top-executives of organisations need education and functional experience in ODC, if they are to take direct leadership responsibilities in successful change management. This is because top-executives, who are mostly professionals in their own right may lack full appreciation of what is needed in large-scale change (Cummings & Worley, 2005). Prof Omani-Antwi (a professional accountant) and Dr Boyd (Organisation development and change consultant) were reflecting from different professional orientations, and from different parts of the world: Africa and USA, but the timing of their thoughts confirm the urgency of the expected marriage between ODC and other professions, in this case, the finance profession.

The main purpose of this article is just to give an overview of how ODC could be related to the practical work context of the finance professional in Africa to facilitate leverages towards organisational effectiveness; initiated and sustained by the finance professional as an instrument of change.

What is ODC?

Kumawu and Kraus (2007, p. 21) state that: "Organisation Development is facilitation of an organisation's ability to self-reflect, self-regulate, and take control of its own processes of improvement and learning with a view to effectively achieving its reasons for existence."

This definition gives the general relevance of Organisation development to organisations in Africa, however, this article seeks to extend the relevance of ODC specifically to the finance profession in Africa. Spector (2010), simplifies what he means by organisation development by emphasising on achieving effectiveness through the behavioural and social sciences. Organisation development basically aims at effectiveness of change management, except that the ODC practitioner facilitates the client to discover the solution to a problem instead of the consultant providing the solution. Because organisation development naturally aims at holistic approach to change, we keep referring to organisation development and change. Change management has become a common addition to what finance professional claim they could offer, but after offering such services, do we go back to evaluate the effect?

What do we know?

Regarding monitoring and evaluation of performance for the achievement of organisational goals, Kaplan and Norton (1996) had earlier presented a *balanced score card,* which is very well known to the finance professional, however, finance is just one of the drivers considered. This means the finance professional has no option, but to learn what constitutes change in organisations. Meanwhile, culture in its various forms dictates the performance of the finance professional a great deal. To this, there is the challenge for the finance professional in the developing world. This challenge is not only to understand what other things they need to do, but what organisational approach they need to enable them cope with current sea of change.

It could be hypothesised that the training of the finance professional does not consider enough cultural dimension of the organisations.

In effect it is possible that, the average finance professional, who quickly rises to the top of the organisation may lack the competences required for facilitating and implementing change. The literature in ODC does not provide specifics for finance professionals (James, 1998; Kumawu & Kraus, 2007). The finance literature and education in Africa is also yet to be specific on exactly what it wants to add to its stock of new skills needed for competences, except for a few general suggestions provided by some writers to the effect that finance professionals need to cope with the changing environment by acquiring new knowledge.

Is there a gap?

The finance professional always finds a comfortable place among top executives drawn from various professions. This requires the finance professional to understand among other things:

- Group dynamics to make his point acceptable in the management team.
- Teambuilding to provide effective leadership that could make prudent use of money.
- Help organisation members to solve financial management challenges in their various departments and sections.
- Understand the various levels of organisational culture and leverage the culture for effectiveness.
- Emotional intelligence to people adequately.

Mentioning these issues, therefore, continues to confirm the ODC knowledge gap as suggested by Boyd (2009). Further, if ODC assumes that the ODC consultant is to just facilitate the client to solve their problem rather than the client depending on the consultant, then as finance professionals we need to facilitate and establish our clients to be able to solve their problems by themselves. This means we need to empower our clients. However, finance professionals mostly use the doctor-patient approach (Block, 2000; Schein, 1999). This may not always be adequate in the 21st Century.

There is the need to disorientate finance professionals from having to feel competent only in financial skills, but maintaining little of all other processes involved in achieving the objectives of change in an organisation. Some of the social roles we play are informed by our African traditions.

Do traditions inform?

The idea of Ubuntu in the leadership literature in Africa seems to connote that Africans relying on themselves is the key to performance (Sulunmoyo, 2010). However, Littrel (2011), discount this notion from an in-depth discussion of such ideas introduced in the leadership literature. For example, Uguwegbu (2001) lays the problem on the colonial heritage, while Chisholm (2001) also blames the fragmented ethnic and religious societies. This article departs from blaming institutions, but rather projects a way out to work effectively with professionals to ensure organisational effectiveness through the ODC way.

The ODC literature in Africa has not yet considered ODC's application to specific professions, and therefore has not answered the call for ODC to be relevant to other professions (Golembiewski, 2009; Karakas, 2009). This is because ODC is new in Africa and it has not looked at profession-specific issues.

Any challenges?

At this point the key challenging areas identified are:

- The gap in the training of finance professionals regarding issues of human dynamics in organisations, specifically ODC training.
- Challenge of the finance professional leveraging culture to inform performance.
- Organisation development and change has not adequately focused on the finance profession in Africa to make ODC workable with these professionals in Africa.

From the foregoing, it becomes imperative for the finance professional to understand the dynamics of human systems in organisation. This will dispel the general perception that, those who work with figures tend to be poor in human relations. And to appreciate the specific realm and the level at which they deal with individuals. The finance professional needs to be transformed to become a catalyst of change, considering the interaction they have with other professionals in the work team. Once finance professionals are able to improve their appreciation of the intricacies of human change processes, they will be well positioned to navigate African businesses to significant levels.

Any steps forward?

This article may not have the space to discuss all that the finance professional needs to improve upon, regarding ODC, but the following actions may be considered:

- Need to create awareness among finance professionals about how ODC models can be applied to overcome certain common work challenges in the finance professions;
- Need to add to the work ethic of the finance professional in using their powerful role to achieve effective team dynamics in organisational processes;
- Need to leverage on the multi-level cultures within which the finance professional works, towards organisational effectiveness;
- Need to minimise any misconceptions about the managerial leadership role of the finance professional; and
- Need to extend the scope of finance education, to include specific content and material designed to facilitate the understanding of ODC for finance professionals.

The thoughts raised in this piece need to be considered by the finance professional in the following ways.

- Finance professionals will find it a useful prompt to consider continuous professional development that includes adequate ODC as addition to their skills.
- Finance professionals could begin to see ODC as a context-specific tool to prepare them for their consultancy roles in Africa.
- Lecturers in universities will find ODC as a contemporary reflection to address emerging issues in finance/accounting.
- Continuous professional education of finance professionals may include adequate elements of social competence.

Any reflection?

There is the need for finance professionals to reflect on various disciplines that may be supportive to their finance skills. Once this is considered critically, it will make finance professionals the 'navigators' they are supposed to be in the 21st Century organisation which is better managed by multi-skilled individuals. Organisation development and change training may take care of the social gap in the skills of the finance profession.

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3.4 The Role of Professional Accountants in Assessing Human Rights Risk

By: Tanya Barman, *Head of Ethics, Chartered Institute of Management Accountants*

When law firms are hiring specialists focusing on human rights as advisors to business, business at large must take note. Over the last few months, at a range of events, I have heard first hand from such new professional legal associates of the importance of horizon scanning and how the landscape is changing in regard to corporate responsibility. Human rights and business is an emerging area that is set to accelerate and, as no business can rest assured without further investigation that their full supply chain is "clean", assessing and addressing potential risk in this area is clearly also a role for the professional accountant**.**

In recent years, the operating environment for business has changed irreversibly. Companies will be increasingly called to account to show what they have done to prevent disasters like the 2013 Rana Plaza garment factory collapse in Bangladesh that cost over a thousand lives. It is not only the clothing industry that is affected by human rights problems. Almost any product on your desk, from your stapler to your phone, could contain components sourced from a supplier that is guilty of human rights abuses—forced or child labour, dangerous working environments, land clearance, environmental degradation, harassment, and misuse of data (should privacy be breached and unauthorized sharing of content occur). Once home, open your refrigerator: agricultural sourcing and fishing can be rife with unscrupulous practices deep in the chain.

The UN Protect, Respect, and Remedy Framework (PRR) set out the role of the private and public sector regarding business and human rights, namely:

- States have a duty to protect, respect, and promote human rights;
- Companies have a responsibility to respect human rights; and
- Victims of business-related harm should have access to remedy.

The UN PRR was enhanced in 2011 when the *Guiding Principles on Business and Human Rights* were agreed to. Many different organizations around the world, including large and small enterprises representing diverse industry sectors, accepted, endorsed, and used these Guiding Principles in their day-to-day activities. The Principles have a growing influence on a range of sectors and communities, be it civil society, governments, investors, and multilateral and international organizations as well as a range of professional associations.

Professional accountants, as we know, are responsible for helping devise business strategies, analysing the consequences for business decisions, forecasting performance, and suggesting improvements to a business. They also need to be aware of and address issues of risk. It is, therefore, clear to me that they have a particular role to play in regard to assisting companies to respect human rights throughout the business.

To this end a CGMA guide, *Business and Human Rights: Evolution and Acceptance,* was produced in partnership with the UN Global Compact's UK network. The guide aims to help professional accountants reflect on how best they can both consider and then address human rights issues across their businesses and also how they can learn from and work with others in order to uphold human rights in the communities they operate in. It outlines key questions that accountants should ask of themselves and of the business, starting with: Has the organization made a public commitment to respect human rights, or signed up to a responsible business standard, such as the UN global compact, and enquired into how functions like procurement factor into regulatory requirements or undertakes due diligence?

It is important to keep apprised of the changes in the regulatory and legal landscape. This area is gaining speed with the development of new national laws, such as the *Modern Slavery Act* in the UK, particular requirements under the *Dodd-Frank Act* in the US, or the National Action Plans different countries have, that are in line with the Guiding Principles.

Existing business strategies and corporate plans should be reviewed to identify any human rights risk that may adversely impact stakeholders. Should information arise that highlights risk, there needs to be an ongoing assessment of how such risk has been dealt with, be that directly or via the wider supply chain. It is worth recognizing that such responses may take time and need a concerted ongoing effort. For example, with potentially millions of stakeholders in their supply chain, global consumer goods company, Unilever, accepts that it can control some parts but only influence others. Identifying problems in the chain, then seeking feedback and sharing the knowledge gained, helps to address these issues, highlighting the need for continuous improvement with transparency and accountability as the critical drivers.

Working together with other organizations in the supply chain is an imperative, particularly in corporate reporting as well as training and development, to improve understanding and awareness of relevant processes and policies. Newmont Mining, for example, reflects this by engaging internally across regions and functions and externally with human rights experts and key stakeholders to identify the most salient human rights risks it faces. Mining is a particularly high risk sector, and fallout from human rights abuses could be significant. Integrating human rights risks and issues into management of the business helps secure the social license to operate.

Allocating funding across a number of different activities will always be necessary, be that for human rights country risk analysis, stakeholder engagement, impact assessments, or learning and development. And, depending on potential risk, there also may be a need to allocate restricted funds for remediation and reparation.

Short-term savings will never make up for long-terms costs that may ensue. With their commitment to professional codes of ethics and conduct, accountants need to also challenge not only information and data ensuring that human rights risks and impacts are effectively managed but also action plans to ensure approaches are cost effective and meet the needs of stakeholders.

Embedding human rights considerations into the business, particularly in complex organizations, is an incremental process. However, the sooner the journey begins, the faster progress will be made toward mitigating risk and realizing opportunities. The key to progress is enabling relevant and material information to be incorporated into management decision making, analysis, and reporting. Professional accountants globally should take up the mantle and consider human rights in their roles. Why not start today?

4. TECHNOLOGY CORNER

4.1 An Overview of Computer Networking

The main purpose of a computer network is resource sharing. If you plan to have an Ethernet with many terminals, or want to learn more about this exciting field of engineering, then surely go through this article, in order to arm yourself with some of the basic yet important concepts of computer networking.

History of Computer Networking:

The technological advancements in the field of computer networking started in 1969. During that time, the Advanced Research Projects Agency (ARPA) decided to implement a project called the Advanced Research Projects Agency Network (ARPANET). This was the world's first network, which only consisted of four nodes. Since then, computer networking has come a long way.

Introduction to Computer Networking

A computer network is literally, a network of computers. Each computer in it is connected to another via a transmission medium such as an Ethernet cable. There are many different kinds of computer networks, such a LAN, MAN or WAN. There are also many different types of network topologies, also known as backbone network structures. A LAN (local area network) typically consists of a few interconnected computers (typically less than hundred). The computer network in any single establishment or building will be a LAN type of connection.

A metropolitan area network (MAN) is a network of many LAN's. For example, organization might have many buildings in the same area. Every building might have their individual LAN's. It would be highly essential to have a network between them. This is where a MAN comes into the picture.

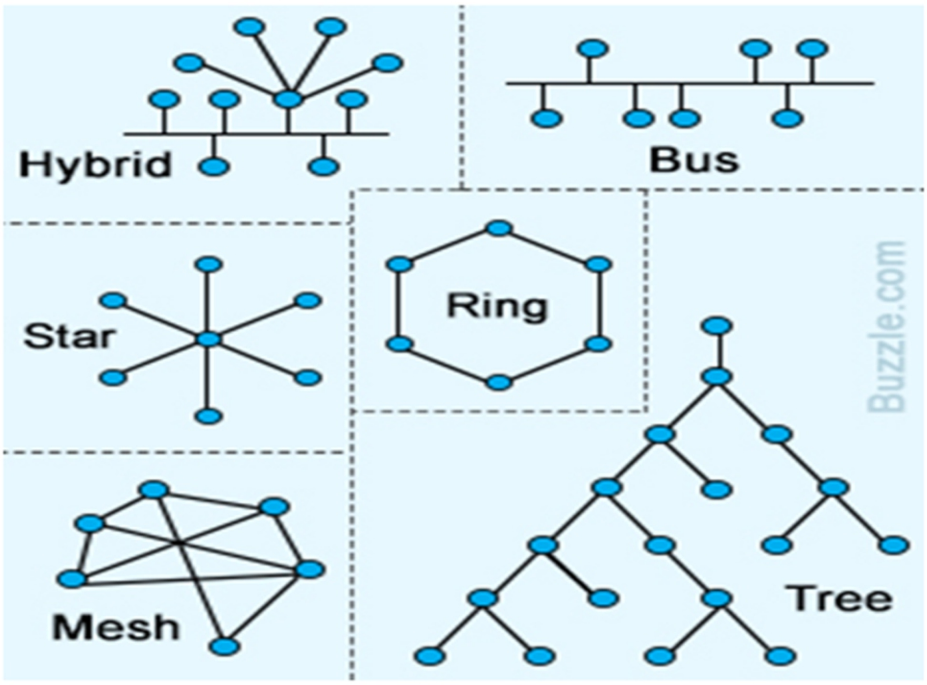
A city like New York or Chicago can have many MANs. When you connect all the above mentioned networks together, you will get a WAN (wide area network).

There are also Ethernet protocols, such as TCP/IP, according to which communication in a computer network takes place. When all the above issues are taken care of, then you have a smooth running computer network.

Parameter	**LAN**	**WAN**	**MAN**
Area Covered	Covers small area	Covers large area	Covers Larger than LAN,
			smaller than WAN
Error Rates	Lowest	Highest	Moderate
Transmission Speed	High Speed	Low speed	Moderate Speed
Equipment Cost	Uses Inexpensive equipment	Most Expensive equipment	Uses moderately expensive equipment

Designing a Simple Computer Network

When designing a computer network, selecting the right design becomes a priority. These designs are also known as network topologies. Depending upon the number of terminals that your network is going to have, you should select the appropriate network topology.



There are mainly five types of network topologies. They are, star, ring, mesh, tree and bus. In star topology, all the nodes are connected to a single node. In ring topology, every node is connected to two other nodes and they form a circle. In mesh topology, every node is connected to every other node. In tree topology, there is a root node (or super node), to which two or more nodes are connected, and the rest of the terminals are connected in a hierarchical fashion. In bus topology, there is a common medium like a backbone, and terminals are connected to it.

Transmission Media

The physical channel of communication between the sender and the receiver is called the transmission media. There are two different types of transmission media: bounded and unbounded. The bounded media are those media in which communication takes place through wires. The unbounded media comprises wireless communication.

Examples of Bounded Transmission Media:
Twisted pair cable
Coaxial cable
Fiber optic cable
Examples of Unbounded Transmission Media:
Radio links (Microwave)
Infrared

The factors that need to be considered while selecting a transmission media are as follows. *Bandwidth:* The greater the bandwidth of the signal, the higher is the data transmission rate. *Transmission impairments:* Whatever your media, it should have minimum transmission impairments.

Interference: Competing signals can sometimes distort or completely disrupt a signal. Interference by such signals should be minimum.

Equipment
The following sheds light on some of the basic components that are used in making a computer network.

Network Interface Card (NIC): It is a hardware add-on component for the computer. All communication signals, to and from the node, must pass through the NIC first.

Switch: All computers in a LAN must connect to a switch. A switch is a device which is capable of maintaining a local area network between all the terminals that are connected to it. It is also responsible for sending traffic inside and outside the switched network.

Hub: It is used to connect various components (computer as well as other devices) in the network. A USB network hub should fill the needs of a home network.

Router: A router is a gateway device, which is responsible for establishing connection between various networks (internal as well as external).

OSI Reference Model and TCP/IP Reference Model

Protocols are a set of standard rules that are followed during various stages of communication. OSI (Open System Interconnect) reference model describes the hierarchy of various protocols that are used in computer networks. TCP/IP reference model is derived from OSI and provides a set of protocols that are used across multiple and diverse networks. The following discussion will help you understand the specific differences between layers of OSI reference model and layers of TCP/IP protocol stack.

There are seven layers in OSI Reference Model, and each layer performs a very defined function:
Application layer: This layer provides distributed information services.
Presentation layer: Provides independence to application processes.
Sessions layer: Provides a control structure for communication between applications.
Transport layer: Provides reliable transfer of data between end points.
Network layer: Provides independence to the upper layers from the lower layers

There are only four layers in TCP/IP Reference Model:

Application layer: Includes all processes and services that use transport layer to deliver data.

Transport layer: Provides support to TCP or UDP protocol.

Internet layer: It handles machine to machine communications.

Host to network: Responsible for accepting and transmitting IP datagram.

The key difference between OSI reference model and TCP/IP reference model is that TCP/IP came into effect with the advent of Internet, and is the main language of communication used by it. TCP/IP is a robust protocol model that can also be effectively used in smaller private network setups.

Implementing a Computer Network Design

While implementing a computer network, there are two kinds of technologies that have to be thought of - client/server and peer-to-peer. In most cases, client/server technology is preferred as it provides a better capability to future growth and network expansion.

Most existing computer networks are wired networks, and it is very difficult to change them. Considering future compatibility, wireless architecture proves to be better, as it provides easy scale-up, without a lot of additional cost or much degradation of performance. Some examples of wireless computer networks are, WPAN (Wireless Personal Area Network), WMAN (Wireless Metropolitan area Network), and WLAN (Wireless Wide Area Network). Even the network of mobile devices is considered a part of wireless networking.

Security

If a computer network is carrying sensitive information, some form of data security has to be implemented. Computer networking security is a very broad topic, and immense amount of research has been done in this field. Basically the following issues must be addressed when trying to implement network security.

Security attacks: These are actions which compromise security information.

Security mechanisms: Methods to prevent security attacks.

Types of computer security: These are the services that are instrumental in handling security of the apparatus. They can be categorized as:

- Confidentiality
- Authentication
- Integrity
- No repudiation
- Access control
- Availability

All these are applicable to wireless networks as well.

Troubleshooting

A systematic approach can help greatly when trying to troubleshoot a computer network that has developed a problem. You should start by checking the wiring and connections first as faulty connection is the most common cause of most network related issues. If the wired connections are all checked and still the problem persists, then the hardware equipment must be inspected. If one finds that the hardware is also performing properly, then one must check for software malfunction. By performing these basic checks, one should be able to pin-point the problem, and then proceed to the appropriate solution.

Certifications
The various certification courses that are available for computer networking certifications are as follows.
CISCO
Cisco Certified Network Associates (CCNA)
Cisco Certified Network Professional (CCNP)
Cisco Certified Internetwork Expert (CCIE)
Cisco Certified Voice Professional (CCVP)

Novell CNE
Red Hat Certified Engineer (RHCE)
Microsoft Certified System Engineer (MSCE)
Certified Information Security Professional (CISSP)

Degrees
The degrees that you can get in the field of computer networking are Associates Degrees in Computer Networks, Bachelors Degrees in Computer Networks and Systems, and online diplomas. Once you have the basic qualification, you can go for a Masters of Science in Computer Networking as well.

Jobs
Once you obtain a degree, or become a certified professional, then there are many jobs that can be applied for, like a network administrator, a network technician, a network engineer, or a network analyst.

A Network Administrator's job description includes overseeing the proper functioning of the network of an entire institution. A Network Technician's job description includes establishing and maintaining the network. A Network Engineer is responsible for high level tasks such as creating, designing and maintaining the network. The network engineer and network administrator have similar jobs, but they are different in the sense that, the engineer tackles more complex tasks that an administrator cannot handle (issues with network architecture, etc). A Network Analyst's job description includes the analysis of various situations in the network, predicting the outcome, and suggesting various solutions. He is basically responsible for various occurrences in the network and finding out whether the arisen issue is normal or malicious in nature. Computer networking encompasses all the aspects of computer science (hardware, software and security). Since there is huge growth in the IT sector, the future seems bright for this field.

Read more at
http://www.buzzle.com/articles/computer-networking-tutorial.html

5.YOU AND YOUR HEALTH

5.1 The Accounting Profession and Stress

By Dr. Stephen Engmann (Family Medicine Resident- KBTH)

The World health Organization defines health as the state of complete physical, mental and social well-being and not merely the absence of disease or infirmity. This implies that to ensure a holistic and optimum health of an individual, one must go beyond the physical wellbeing and also consider the mental and social aspects of health as well.

Everyone has been stressed at one point in time or the other. This is because life is not something we totally control. Accountants are responsible for accurate processing and reporting of a company's financial information, and mistakes can sometimes occur which can incur penalties, worse of which is job loss. The job often entails long, stressful hours, and sitting at a desk all day is not particularly good for an individual's health. The good news is that attention to detail and lifestyle changes can help mitigate the risks. 70% of all employees say that work is the main cause of their stress, and nearly half (49%) attribute that stress to worries about job stability, according to a survey by the American Psychological Association. When the American Psychological Association conducted a survey in 2008, more survey participants reported physical and emotional symptoms due to stress than they did in 2007, and nearly half reported that their stress has increased in the past year. Accountants are a group of people who have been researched in various areas of psychology, such as personality, emotional intelligence, work-life balance, as well as occupational stress, to name a few.

Stress is the adverse reaction people have to excessive pressure or other types of demand placed on them. It is a state of mental or emotional strain. Stress is a common problem that we all have to deal with in our lives, some more than others. There are many factors that lead to stress in an individual, such as the job of the person and certain stressful life events. Stress is usually caused by unreasonable pace of work, lack of control over work, inadequate managerial support, poor workplace relationships and lack of clarity regarding an individual's role. The effects of stress on an individual could be psychological/behavioural as well as physical.

The effects of stress

Stress has an immediate effect on your body. The long term effects of chronic stress are what usually puts ones health at risk.

Behavioural effects

The behavioural effects of stress on an individual include anxiety, irritability, alcohol misuse, smoking, sleep disturbances and poor concentration at work. Symptoms of chronic stress also include depression, headaches or insomnia. Chronic stress is also a factor in some behaviours like overeating or not eating enough, alcohol or drug abuse and social withdrawal.

Physical effects

Stress can also manifest physically in the form of increase in heart rate, sweating, headache, dizziness, blurred vision, aches and pains and lowered immunity. The long term ill-health effects of stress when not managed appropriately include raised blood pressure and peptic ulcers.

When under stress, the muscles tense up to protect themselves from injury. You've probably felt your muscles tighten up and release again once you relax. If your activity keeps you constantly under stress, your muscles don't get the chance to relax. Tight muscles cause headaches, back and shoulder pain, and body aches. Over time, you may stop exercising and turn to pain medication, setting off an unhealthy lifestyle or cycle.

For women, stress can affect the menstrual cycle. A woman might have irregular or no menstruation, or heavier and more painful periods. The physical symptoms of menopause may be magnified under chronic stress. If stress continues for a long time, a man's testosterone levels begin to drop. That can interfere with sperm production and cause erectile dysfunction or impotence. Chronic stress may make the urethra, prostate, and testes more prone to infection.

Stress Management Tips

Exercise

Exercise is a good stress management technique. Exercising regularly makes you feel better and become more prepared to handle problems. Scientists have found that regular participation in aerobic exercise has been shown to decrease overall levels of tension, elevate and stabilize mood, improve sleep, and improve self-esteem. Even five minutes of aerobic exercise can stimulate anti-anxiety effects. Exercise is also considered vital for maintaining mental fitness, and it can reduce stress. Studies show that it is very effective at reducing fatigue, improving alertness and concentration, and at enhancing overall cognitive function. Exercise and other physical activity produce endorphins—chemicals in the brain that act as natural painkillers—and also improve the ability to sleep, which in turn reduces stress.

Meditation, acupuncture, massage therapy, even breathing deeply can cause your body to produce endorphins. Other exercises outside and in nature, such as golf and hill-walking, are good too. Learn and practice relaxation techniques. Try breathing exercises, meditation, and prayer.

Good Sleep

Get enough rest and sleep. Your body needs time to recover from stressful events. A good night's sleep allows you to tackle the day's stress easier. Most adults need 7-8 hours of sleep per night. Practicing good sleep hygiene along with stress-lowering tactics can help improve your quality of sleep. "Stress causes insomnia by making it difficult to fall asleep and to stay asleep, and by affecting the quality of your sleep," says Dr Neil Kavey, director of the Sleep Disorders Center at The New York-Presbyterian Hospital in New York City"

Time management

Being able to efficiently manage your time is crucial for managing stress and avoiding burnout. Time management is really about managing commitments; the inability to say no or ask for help is the root cause of stress. Try to manage your time wisely. Make time for hobbies and interests and spend time with people you love. Say no, where you can, to things that would add more stress to your life.

Good Nutrition

Eat healthy. Avoid excess sugar. Focus on fruits, vegetables, whole grains, and lean protein. When you're stressed, you'll probably want less-nutritious comfort foods, but if you overdo them, they'll add to your problems. One of the key ingredients to good health, and probably most important is having a well-balanced nutritional eating plan. A balanced nutrition plays an important role when we are under stress.

When stress occurs, a well-balanced nutrition will boost our resistance against the effects that stress brings upon the body. It is important to recognize that when under stress, the nutrients that we have consumed will be drained at a much quicker rate then they are normally. Therefore it is important to constantly top up on vital nutrients. Don't rely on alcohol, drugs, or food (overeating) to help against stress. Ease up on caffeine too.

Social Support and building good relationships

Developing a good social support network and spending time with friends and family away from work also is helpful for managing stress. Keep a positive, realistic attitude. Accept that although you can't control certain things, you're in charge of how you respond. Stand up for yourself in a polite way. Share your feelings, opinions, or beliefs, instead of becoming angry, defensive, or passive.

Work teams need to spend time doing other things like team building from time to time so that they can develop some social bonds, and not just associate each other with work stress. Conflict avoidance should also be observed regularly. Good relationships at work should also involve dealing with unacceptable behaviour.

Control measures for work related stress

High demands at work should be regulated. Workload, work patterns and environment should be modulated to suite the capacity or ability of the employee. Personal control over the way and manner of doing a particular work or task is vital in controlling any work related stress. Suffice it to say that support and encouragement is needed at the workplace to improve employee wellbeing and sustain the motivation to work with less or virtually no stress.

6. Technical Matters

6.1 Overview of IPSAS Adoption in Ghana

By Augustine Addo

Introduction

The last few years have seen dramatic developments and changes on the International Accounting Standards setting scene. Along with this has come a rapid adoption of International Accounting Standards in a number of countries, which previously had their own national standards. International Public Sector Accounting Standards (IPSAS) are now virtually accepted as the common yardstick for international reporting in the public sector. Acceptance and use of IPSAS are becoming a global phenomenon, and there is increasing demand for public accountability and transparency by all stakeholders in the Public Sector. Frequent revelations during the Public Accounts Committee (PAC) hearing on the Auditor General's reports raise issues of financial accountability and transparency.

Most of the financial reporting models used in the public sector could not achieve the desired results because they were not premised on well-defined accounting standards and basis. For example, in Ghana, The Financial Administration Act makes reference to the use of Generally Accepted Accounting Principles as the applicable accounting standards and the Accrual accounting as the applicable basis. Unfortunately however, GAAP is vague and does not refer to any set of standards while the existing data capturing framework does not lend itself to accrual accounting. Clearly, there is the need to adopt a set of globally acceptable accounting standards (in this case the IPSAS) and evolve a data capturing system that will put values on revenue, expense, assets and liabilities [REAL] so as to provide a basis for accrual accounting.

Adoption of IPSAS in Ghana

Ghana adopted Accrual Based IPSASs as the financial reporting framework for all public sector entities in October 2014. Ministry of Finance (MoF) and Controller and Accountant General's Department (CAGD), [supported by ICAG] encouraged all Public Sector Entities to work towards full adoption of accrual –based IPSAS by 2019.

What is IPSAS?

IPSASs are a set of accounting standards issued by the IPSAS Board to improve the quality of general purpose financial reporting by public sector entities, UN system organizations, governments and other non-profit organizations. These standards, used by public sector entities around the world, and based on IFRS issued by the IASB, lead to better informed assessments of resource allocation decisions, thereby increasing transparency and accountability.

IPSAS setting Process

The IPSASB is required to be transparent in its activities, and in developing IPSASs to adhere to due process. The due process involves:

- IPSASB may also issue a Consultation Paper prior to the development of an exposure draft.
- The IPSASB issues exposure drafts of all proposed IPSASs for public comment.
- The IPSASB considers all comments received on Consultation Papers and exposure drafts in developing an IPSAS.

- The IPSASB cooperates with national standard setters in preparing and issuing IPSASs to the extent possible.
- It also promotes the endorsement of IPSASs by national standard setters and other authoritative bodies and encourages consultation with users, including elected and appointed representatives; Treasuries, Ministries of Finance and similar authoritative bodies; and practitioners throughout the world to identify user needs for new standards and guidance.

Versions of IPSAS

There are two versions of IPSAS

- Cash Basis IPSAS
- Accrual Basis IPSAS

Debate for Ghana

What should Ghana do?

- Move back from the current Modified Accruals basis of accounting (which is not acceptable basis) to the Cash Basis IPSAS.
- Build on the Modified Accruals basis to achieve the full accrual IPSAS.

Proposition from Development Partners

The Development Partners (World Bank particularly) have advised Government of Ghana, in their implementation support mission aide memoire (Oct/Nov 2013) as follows: *"In the mission's view, the focus should be to comply with the cash basis standard (with inclusion of third party transactions, definition of entity, and consolidation), while transitioning to full accrual basis. The CAGD/MoF should add accrual features as warranted by need and capacity (as is currently being done) and move toward IPSAS accrual at a pace that meets its fiscal needs. The CAGD is currently preparing its financial statements on a form of modified accrual basis which, though not an international standard by itself, is a well-recognized way of moving to a full accrual".*

Proposition from Chairman of IPSASB

Chairman of the IPSASB states: *"...for many countries and entities the cash basis standard is not a feasible stepping stone, as they are already on a modified accrual basis of accounting. They have statements of financial position, financial performance and a statement of cash flow in place. They account for their assets and liabilities. The IT systems in place are fully fledged ERP systems. However, they may experience shortcomings in the field of consolidation or other areas such as provisions or employee benefits. Why should such countries or entities first be sent back to a cash basis on the way to full accrual? This may be considered as not only patronising, but also quite inefficient. This issue is often captured by the term sequencing. In such cases it is suggested to adopt full accrual accounting directly, in a project with a step-by-step approach."*

Proposition of Ghana Public Financial Management (PFM) Laws

Regulation 186 of the Financial Administration Regulations, 2004 (L. I. 1802) provides that the accrual basis shall generally be applied in preparing the financial statements of public sector institutions in Ghana. Section 40(1) of the Financial Administration Act 2003 (Act 654) requires the Controller & Accountant General to prepare monthly financial statements to comprise: A Balance Sheet showing the assets and liabilities of the Consolidated Fund as at the end of the month; A Statement of Revenue and Expenditure of the Consolidated Fund for the month; Cash Flow Statement of the Consolidated Fund for the month; and Notes that form part of the accounts. Section 41 of Act 654 requires two different categories of annual financial statements: one set from each MDA, and the other set from the Controller & Accountant General similar to the statements listed in S 40.

Recommendation of IPSASs Implementation Working Group (IWG)

The Government of Ghana should implement *accrual basis IPSAS* as opposed *to cash basis IPSAS* for the following reasons:

- The PFM laws of Ghana require accrual basis financial statements;
- The current framework for reporting by GoG has been developed to a state far beyond the reporting requirements of cash basis IPSAS.
- Implementing cash basis IPSAS will amount to rewinding the clock of progress with respect to financial reporting.
- The on-going implementation of GIFMIS will provide a solid platform and facilitate the smooth implementation of accrual basis IPSAS.

Accrual-Basis IPSAS- The Preferred Choice

- Provides better information which enables users to assess the true and fair view of performance, financial position and cash flows of PSEs;
- Demonstrates accountability for use of all resources and management of all assets and liabilities;
- It shows how a PSE finances its activities and meets its liabilities and commitments;
- Requires a PSE to maintain complete records of assets and liabilities which are necessary for effective management of assets and liabilities;
- Availability of records on liabilities will help a PSE to keep track of its commitments and debt levels and avoid indebtedness surprises.

Accrual basis/Full IPSAS

Accrual basis IPSAS focuses on revenue, cost, assets, liability and equity, instead of cash flow only. It is only accrual basis IPSAS which is in line with IFRS.

IPSAS Benefits

The implementation of IPSAS would result in the following key benefits:

- Strengthened accountability towards all stakeholders;
- Strengthened support for results-based management through the provision of comprehensive information on costs;
- Improved management and planning across the Joint Programme due to better accounting practices for income and expenditure;
- Better understanding of revenue and expenses and improved management of commitments, risks and uncertainties;
- Increased transparency and harmonization of financial reports and statements across the PFM system;
- Enhanced prediction of future asset and cash-flow needs; and
- Adherence to the highest international standards of financial reporting—aligned with best practices—that allow for improved consistency and comparability.

Objectives/benefits of adopting IPSAS

- To enhance transparency and accountability of financial reporting in the public sector.
- To improve the decision usefulness of financial information in the public sector.
- To ensure comparability of financial statements across different organisations and countries.
- To ensure better measurement of the performance of public sector entities in terms of cost of services, efficiency and accomplishment.
- To improve access to financing in the capital market through bond issues.

Reasons for the adoption of IPSAS in developing countries

Many countries have adopted the IPSAS for the following reasons:

- In order to improve the quality of general purpose financial statement.
- So as to enhance transparency and accountability in public financial management as indicator of good governance.
- To conform to international trend.
- So as to comply with regional grouping requirements e.g. AU, EU
- Donor pressure as a requirement for borrowing, e.g. World Bank, IMF etc.

Factors facilitating smooth adoption of IPSAS

If any country can adopt and implement IPSAS smoothly, the following conditions must be available:

- Consultation and acceptance by the Reporting Entity.
- Support and oversight by senior management.
- Robust audit process.
- Comprehensive management training.
- Appropriate cultural approach.
- Awareness and willingness of staff to adopt change and adapt to the timelines.
- IT capacity implementation.
- Accrual-based approach by identifying best practices and developing policies and processes to support IPSAS.

Practical Implementation and Transitioning to IPSAS

The IPSASB has issued a special standard **IPSAS 33: FIRST TIME ADOPTION,** to guide countries and public organizations which want to adopt IPSAS for the first time. IPSAS 33, First Time Adoption provides:

- Guidance for smooth transition to accrual based IPSAS.
- The one and two stage option to move to accrual basis IPSASs:

ONE-STAGE OPTION: The entity moves straightaway to fully IPSAS compliant financial statements, without utilizing any exemptions allowed.

TWO-STAGE OPTION: The entity adopts IPSASs and takes advantage of some or all transitional exemptions (STAGE 1) The entity finally moves to fully IPSAS compliant financial statements with no remaining transitional exemptions (STAGE 2

What is the objective of IPSAS 33?

The objective of IPSAS 33 is to provide guidance to a first-time adopter that prepares and presents financial statements using accrual-based IPSASs in order to present high quality information that:

- Provides transparent reporting about a first-time adopter's transition to accrual basis IPSASs.
- Provides a suitable starting point for accounting in accordance with accrual basis IPSASs.

What is the date of adoption?

The date of adoption is the date that an entity adopts accrual basis IPSASs for the first time. It is the start of the reporting period when an entity either presents its first accruals basis IPSASs or its first transitional IPSAS financial statements. If the exemptions made available in the transitional period are applied the entity cannot yet claim to have fully adopted accruals basis IPSASs. Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of all the applicable IPSASs.

An example of the date of adoption;

If an entity makes a decision to adopt accrual basis IPSASs as its basis for financial reporting for the period ended 31 December 2017, then the date of adoption will be the start of that reporting period, namely 1 January 2017, at which point an opening statement of financial position is required.

What are the general rules about recognition and measurement?

A first-time adopter of accrual basis IPSASs shall prepare and present an opening statement of financial position as at the date of adoption of the IPSASs. However it may take advantage of applicable exemptions. If it does, then it will be required to amend its accounting policies after the exemptions have eventually expired and the information presented in the financial statements is finally presented on a basis that is consistent with the full accrual basis IPSASs. Unless the exemptions discussed below are applied, an entity must in its opening statement of financial position:

- Recognize all assets and liabilities when recognition is required by the IPSASs.
- Not recognize such assets and liabilities if not permitted to do so by the IPSASs.
- Reclassify items that were recognized in accordance with the previous basis of accounting but for which accruals basis IPSASs requires a different approach.
- Apply IPSASs in measuring all recognized assets and liabilities.

What are the three-year transitional exemptions allowed that impact on the fair presentation of the financial statements?

The basic rule to follow here is that any exemption allowed is limited to three years from the date of adoption by IPSAS 33.

What specific exemptions are allowed relating to recognition and/or measurement of assets and liabilities?

A crucial element of these three-year exemptions relates to the recognition and/or measurement of assets and/or liabilities for the first time. This can be a major challenge, often for practical reasons because for example records are inadequate to provide the necessary information on which to recognize them. The specific categories of exemptions referred to under the three-year transitional rules are as follows:

- Inventories (IPSAS 12)
- Investment property (IPSAS 16)
- Property, Plant and Equipment (IPSAS 17)
- Defined benefit plans and other long-term employee benefits (IPSAS 25)
- Biological assets and agricultural produce (IPSAS 27)
- Intangible assets (IPSAS 31)
- Service concession assets and related liabilities (IPSAS 32)
- Financial Instruments (IPSAS 29)

What other exemptions apply?

- IPSAS 5 – Borrowing Costs
- IPSAS 13 – Leases
- IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets
- IPSAS 20 – Related Party Disclosures
- IPSAS 34, 35 and 36 – Separate Financial Statements, Consolidated Financial Statements and Investments in Associates and Joint Ventures

DISCLOSURES

A first-time adopter that takes advantage of the exemptions allowed by IPSAS 33 may not be fully compliant with IPSAS. They must only state that they fully comply with accrual-basis IPSASs if they actually do. In other circumstances there should instead be a disclosure that the financial statements do not fully comply with the accrual basis IPSASs. In such cases when a first-time adopter takes advantage of the transitional exemptions there should also be disclosure of:

- The extent to which it has taken advantage of the transitional exemptions that affect the fair presentation of the financial statements and the entity's ability to assert compliance with accrual basis IPSASs.

- The extent to which it has taken advantage of the transitional exemptions that do not affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis IPSASs.
- Progress made towards recognizing, measuring, presenting and/or disclosing assets, liabilities, revenue and/or expenses in accordance with the requirements of specific IPSASs.
- The assets, liabilities, revenue and/or expenses that have been recognized and measured under accounting policies that are not consistent with the requirements of the applicable IPSASs.
- Assets, liabilities, revenue and expenses that have not been measured, presented and/or disclosed in the previous reporting period but which are now in this latest set of financial statements.
- The nature and amount of any adjustments recognized during the reporting period.
- An indication of how and when the entity intends to comply in full with the requirements of the applicable IPSASs.

TRANSITION TO ACCRUAL BASED IPSAS - PRACTICAL IMPLEMENTATION PROCESS

- Deciding to Adopt Accrual Based IPSAS
- Prepare Project Implementation Strategy Document
- Do Gap Analysis
- Identify General Financial Reporting Issues
- Financial Elements Issues- REAL Recognition and Measurement

Deciding to Adopt Accrual Based IPSAS

- Adopted by MoF for GOG
- Mandatory Compliance by PSE
- Management Support Secured
- Way is Cleared for Adoption

Ghana has gone through these stages in adopting IPSAS

Prepare Project Implementation Plan

Project Initiation

- Document project and obtain project approval
- Establish the steering committee
- Prepare detailed project plan(s)
- Establish project team
- Project sponsor
- Project manager
- Project team (team leader/director and other staff)
- Identify required resources
- Obtain required resources

Detailed Scoping and Planning

- Document existing processes, procedures and legislative requirements (including existing accounting policies and systems)
- Identify proposed changes or areas of change (including proposed accounting policies and systems)
- Systems planning
- Identify structure/ownership of proposed systems
- Identify system requirements (existing and new systems)
- Identify control requirements
- Identify interfaces required
- Develop the chart of accounts
- Develop interfaces (if applicable)
- Reporting
- Develop new reporting requirements
- Audit
- Liaise with external auditor to assess impact of changes on audit process
- Identify role of internal audit during the change process
- Develop communications plan
- Prepare training strategies (for example, project team, accrual accounting, and computer literacy)
- Develop change management strategy

Implementation Phase

- Initiate project management responsibilities and reporting structures
- Implement new systems/system changes
- Implement interfaces
- Develop detailed accounting policies
- Develop/amend supporting financial management policies and procedures
- Implement roles and responsibilities
- Deliver training
- Obtain approval to switch to new systems
- Implement other phased projects (for example, the recognition of specific categories of assets or liabilities may be phased)

Reporting

- Develop improved external and internal reporting
- Develop financial and non-financial performance measures
- Review controls and procedures that support the integrity of financial and non-financial information

Gap Analysis

- Old Accounting System vrs New (Accrual -Based System)
- Human Resource Capacity-Training Needs
- ICT Infrastructure
- Identification, design and delivery of training, under the following headings:
- ➢ Identification of Target Groups
- ➢ Identification of Training Needs
- ➢ Training Strategies
- ➢ Delivery of Training
- ➢ Evaluation and Assessment
- ➢ Cross-Training
- ➢ Ongoing Training
- ➢ Lessons Learned

General Financial Reporting Issues

- Chart of Accounts [GIFMIS Prescription]
- Account Classification [GIFMIS Prescription]
- Accounting Policies
- Financial Statements to Prepare [Types, Format and Contents] as defined by FAA/FAR/IPSAS 1
- Reporting Periods /Deadlines as defined by FAA/FAR

Examples of Issues Requiring Accounting Policies: The Accrual Basis

GENERAL

- Entities to whom the policies apply
- Reporting Entity
- Consolidation of Controlled Entities
- Combination of Associates
- Joint Ventures
- Reporting Period
- Accrual Basis Used
- Going Concern Assumption
- Measurement Basis
- Application of Materiality
- Explanation of Changes in Accounting Policies

ASSETS

- Definition and Recognition of Assets
- Classifications to be used within the financial statements
- Cash and Cash Equivalents
- Accounts Receivable and Accrued Revenue (by type)
- Bad and Doubtful Debts
- Inventories (by type)
- Prepayments
- Investments (by type)
- Investment Property
- Property, Plant and Equipment (by type)
- Leased Assets/Sale and Leaseback Transactions
- Information Technology Assets (Hardware and Software)
- Intangible Assets
- Biological Assets
- Heritage Assets

LIABILITIES

- Definition and Recognition of Liabilities
- Classifications to be used within the financial statements
- Accounts Payable and Accrued Expenses (by type including transfers/grants payable)
- Finance Lease Liabilities
- Provisions for Employee Entitlements
- Other Provisions
- Pension Liability
- Borrowings
- Bonds/Stock
- Unearned Revenue
- Social Policy Obligations (by type)

REVENUE

- Definition and Recognition of Revenues
- Classifications to be used within the financial statements
- Application of classification system to all revenues
- Recognition of Investment Revenue (by type, for example interest and dividend/distribution revenue)
- Recognition of Revenue from the Provision of Goods and Services (by type, examples listed)
- Output revenue (under a purchaser/provider model)
- User charges (exchange only)
- Trading revenue
- Certain government grants
- Property rental
- Recognition of Types of Non-Exchange Revenue (by type, examples listed)
- Taxes
- Levies
- Fines
- Donations
- Other Revenue

EXPENSES [By function or By Nature]

- Definition and Recognition of Expenses
- Classifications to be used within the financial statements
- Application of classification system to all expenses
- Employee Expenses (including contributions to superannuation schemes)
- Supplies and Consumables
- Depreciation
- Amortization of Intangible Assets
- Transfer Payments/Grants and Donations (by type)
- Interest and Financing expenses

EQUITY/NET WORTH

- Composition of Equity/Net Worth
- Contributed Capital
- Accumulated Surplus and Deficit
- Asset Revaluation Reserve
- Foreign Currency Reserve

OTHER POLICIES

- General Presentation and Disclosure
- Extraordinary Items
- Fundamental Errors
- Gains and Losses on Disposal of Non-Current Assets
- Assets and Liabilities Transferred
- Commitments
- Contingent Liabilities
- Contingent Assets
- Events After the Reporting Date
- Cost Accounting Policies
- Comparatives
- Related Party Disclosures
- Foreign Currency
- Accounting for Hyperinflation
- Administered/Entity Transactions
- Budget Reporting
- Non-Financial Reporting

Financial Elements Issues [REAL]

Recognition

- Revenue [IPSAS 9 & 23]
- Expenses
- Assets
- Liabilities

Subsequent Measurement [Depreciation, Revaluation/Fair Valuation, Impairment and Derecognition]

- Assets
- Liabilities

Recognition and Measurement of Existing Assets

The Biggest Challenge in Transition to Accrual Based IPSAS

Identification

- Does Asset Register Exist?

Measurement

- What Values to Apply?
  - Nominal?
  - Fair Values?
  - Historical Cost?

Critical success factors

- High level Management support
- Regulatory and Policy reviews
- Training of key personnel
- Development of accounting manual.
- Implementation plan
- Logical Sequencing of implementation and phasing
- Adopt a piloting approach
- Appropriate change management strategy
- Build effective teams for the implementation
- Identify champions to push the IPSAS implementation agenda
- Comprehensive review of the ICT platform
- Risk assessment
- Continuous monitoring

Conclusion

Accrual-Basis IPSASs represent international best practice in public sector and not-for-profit organisations which lead to quality reporting by entities to reflect the true and fair view of how public finances have been managed. It is therefore imperative on Management of Government Agencies and Departments as well as Non-Profit Agencies to implement IPSAS. Transitioning to IPSAS will lead to better comparability and consistency of financial information with other PSE which is an essential ingredient of continuous improvement.

.... UNQUOTES

Keep your face to the sunshine and you cannot see a shadow.
(Helen Keller)

Once you replace negative thoughts with positive ones, you'll start having positive results.
(Willie Nelson)

If you have a positive attitude and constantly strive to give your best effort, eventually you will overcome your immediate problems and find you are ready for greater challenges.
(Pat Riley)

To succeed, you need to find something to hold on to, something to motivate you, something to inspire you.
(Tony Dorsett)

Your attitude is like a box of crayons that color your world. Constantly color your picture gray, and your picture will always be bleak. Try adding some bright colors to the picture by including humor, and your picture begins to lighten up.
(Allen Klein)

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