



## REPORT ON IFA ACTIVITIES

### Status

1. Open

### Executive Summary

2. This report advises Council of the activities of the IFA during 2007.

For information

### ICAEW Strategy

As part of the strategy already approved by Council, in 2005 Council was informed of an approach toward restructuring the profession by the then CEO Eric Anstee. Although a formal vote was not taken there were no issues raised about the approach, which was seen as the Executive's response to part of the overall strategy. The outline approach had been discussed at CCAB, however it was not stated whether it had been officially approved there. In essence there was to be a mapping exercise carried out, so that the relative positions (CCAB at the top) of the other accountancy bodies could be established. From that it would be possible to submit to the Privy Council a structure that would be necessary if the registration of accountants had any chance of being accepted. Presently anybody can use the title "accountant" and various government agencies and the Privy Council have resisted calls for registration (and thereby regulation of the whole profession) on the grounds that the term "accountant" is a generic one.

The proposed tiers would be in descending order:

- Chartered accountancy bodies (the six members of CCAB)
- Financial accountants
- Technicians
- Bookkeepers.

This structure has been noted but not formally adopted by the bodies concerned.

### The Institute of Financial Accountants (IFA)

The Institute of Financial Accountants was established in 1916 and is the oldest body of non Chartered Accountants in the world. Together with its sister organisations, including the International Association of Bookkeepers, it represents nearly 30,000 members and students in more than 80 countries.

IFA itself provides qualifications for those wishing to work in financial

management and provides continuous professional development for qualified Financial Accountants. The Institute sets its own technical and ethical standards. In essence IFA's Members are concentrated in the SME sector.

### **The mapping exercise**

Initially the exercise was confined to that of the position of the Institute of Financial Accountants (IFA) and that of AAT. That was a sensible and pragmatic approach in that most positions were already established (CCAB at the top and AAT in the technician tier). Seeking the consent of most of the other second tier bodies such as the Association of International Accountants and the Institute of Certified Bookkeepers would be difficult. It should be noted that the International Association of Bookkeepers (IAB) is the sister body of IFA and was covered by the mapping exercise.

In 2006 two parallel mapping exercises were carried out by Mark Protherough of ICAEW and Adam Harper of AAT. The objectivity of their work is shown by how close the results were. In simplistic terms IFA was seen to be 'slightly above AAT' and IAB at the 'bottom end of AAT'. As a result IFA Members who wished to study for ACA could receive up to six exemptions.

### **ICAEW relationship with the Institute of Financial Accountants**

As part of its strategy to gain further streams of ACA students, ICAEW has adopted a policy of getting closer to IFA and other organisations. In turn that meant that David Hunt became the IFA President in January 2007. Eric Anstee became the IFA Chairman of Council in September 2007. As part of the informal partnership approach, in May 2007 Robin Liddell was elected to IFA Council. The previous co-options of Anstee and Hunt were confirmed by those same elections.

These appointments were made as part of the request from IFA for assistance where there were divisions on its Council that could have proved terminal. Those divisions arose as a result of a hostile take-over bid by another accountancy body (outside CCAB). The tensions that resulted still exist but are gradually decreasing.

There is no doubt that IFA has already benefited from its association with ICAEW. There is no doubt too that ICAEW should benefit from the recent joint promotion in Russia (where IFA/IAB have over 1000 Members and 3000 students), initiated by David Hunt. Michael Izza's talk to the District Society Conference has resulted in a number of enquiries about working locally with IFA, which incidentally at least demonstrates the working of ICAEW's informal networking. Some cooperation is already starting in the East Midlands Region.

Additionally IFA has agreed to purchase library access/support from ICAEW as part of its package of Member benefits. Discussions have also started about similarly buying other ICAEW services (e.g. access to technical/ethical helplines) and about membership of Faculties and Special Interest Groups.

### **Problems within IFA and progress made in 2007**

It is quite clear that the IFA Council took its collective eye off the ball and the organisation virtually stood still for several years. At the time of Hunt's appointment in January 2007 as President, IFA did not have a strategy in place (IAB did) and had made no effort to recruit a CEO well over a year after Malcolm Dean gave notice of his resignation as CEO from both IFA and IAB. It should be noted that at that time IFA and IAB shared staff and premises and several persons were Council Members for both organisations.

In September 2006 IAB, naturally alarmed at the events in IFA, recruited a new CEO and started to gently distance itself from IFA at least at Council level. As a result, Malcolm Trotter who had been Education Director for both organisations

previously, became the new CEO for IAB. Today most staff still have joint contracts with both IFA and IAB and premises are shared.

It is apparent that the year 2007 had to be one of repair so that the organisation could move forward. In that year the following achievements were noted:

- Agreement of a strategic plan.
- Formulation of an Operational Plan by the staff. Previously Council took on this task personally but had failed to do so for some time.
- Appointment of a new CEO: David Woodgate. David qualified as a banker, is a barrister and has an MBA from the University of Warwick. Previously he was Chief Executive at the Institute of Administrative Management.
- Changes to the governance structure to clarify the previously overlapping roles of President and Chairman of Council. The latter is now a purely internal function.
- Application for Membership of the International Federation of Accountants (IFAC).
- Informal appointment of a Council Social Secretary (Robin Liddell) to improve team working.
- Recognition by other bodies e.g. invitations to dinners etc. Setting up a programme of visits to CCAB members, now to include introduction of the new CEO.
- Full range of Presidential activities including visits to Moscow (twice) and Mexico City (for the IFAC 30<sup>th</sup> Anniversary Seminar).
- Establishment of joint PR programmes with ICAEW in Moscow.

#### **The future of the relationship**

Concerning the restructuring of the profession, understandably ICAEW has reassessed its priorities in turn leading to the cooperative agreement with CIPFA. So there is the danger now that without the restructuring the appointment of Anstee, Hunt and Liddell will become mere assistance to a fellow accountancy institute without many further benefits to ICAEW.

The key personnel in the ICAEW/IFA discussions of 2004/05 are no longer in post: Eric Anstee at ICAEW and Malcolm Dean at IFA/IAB have both retired. Instead there are occasional meetings between the Chief Executives of ICAEW and IFA/IAB that will continue the relationship. It will be from those meetings that any new initiatives or policies will come.

<b>Author</b>	Professor David Hunt IFA President and ICAEW Council member
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