

# Advocating for Members and the Profession

IMA® continues to expand its advocacy efforts. Recent work includes comment letters, conference attendance, and meetings addressing topics such as Integrated Reporting, technology, and internal control.

**G**reetings from the world of Professional Advocacy! IMA's technical committees and panels continue to advocate on behalf of members and management accountants on a number of issues that impact the profession. Since the last Advocacy update, these IMA groups have conducted outreach in a variety of ways, including addressing issues that have never been addressed by IMA.

## Integrated Reporting

IMA's senior management and technical committees have been monitoring the growing issue of Integrated Reporting. The International Integrated Reporting Council (IIRC) has taken the lead on the development of an Integrated Reporting framework. The IIRC is a global coalition of regulators, investors, companies, and standards setters that believes corporate reporting should provide a concise communication about how an organization's strategy, governance, performance, and prospects, in the context of its external environment, lead to the

creation of value over the short, medium, and long term.

In December 2011, IMA's Technology Practices and Solutions Committee (formerly IMA's XBRL Committee prior to July 1, 2013) issued a comment letter on behalf of IMA in response to the IIRC's discussion paper on a proposed outline for an Integrated Reporting framework. More recently, Jeff Thomson, IMA president and CEO, issued a letter on June 17, 2013, in response to the IIRC's draft framework for Integrated Reporting. In general, IMA supports the IIRC's Integrated Reporting initiative but encourages the group to take some critical issues into consideration when finalizing the framework, which is due to be issued by the end of 2013. These issues include the compelling need for a series of interconnected or linked reports for investors and other market stakeholders and the cost/benefit of an Integrated Reporting format.

*What financial and nonfinancial key performance indicators would be beneficial to investors and should be included in an Integrated Reporting framework?*

## FRC Update

In addition to issuing comment

letters to standards setters and regulatory bodies on behalf of IMA's membership, members of IMA's Financial Reporting Committee (FRC) also attend various conferences and forums as panelists and guest speakers. On May 2, 2013, Baruch College conducted its 12th Annual Financial Reporting Conference in New York City. This forum aided interaction between business and accounting executives and policy setters regarding technical issues impacting the management and public accounting professions. Norman Strauss, a long-time member of the FRC as well as the Ernst & Young professor-in-residence at Baruch College, was the conference host.

The FRC also held a meeting in June in Washington, D.C. Daryl Buck, a member of the Financial Accounting Standards Board (FASB), attended the meeting to provide an update on three projects related to the convergence of U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). The projects are revenue recognition, leases, and financial instruments. Senior staff from the Securities & Exchange Commission (SEC)—including Paul Beswick, chief accountant;



Craig Olinger, acting chief accountant of Corporation Finance; and Shelly Luisi, senior associate chief accountant in the Office of the Chief Accountant—also met with the FRC at the meeting in June.

*What tools or resources should IMA provide to stakeholders for implementation of the new revenue recognition, leases, and financial instruments standards?*

### **SBFRC Update**

IMA's Small Business Financial and Regulatory Affairs Committee (SBFRC), which takes up issues that impact small and medium-sized entities, sent a comment letter to the IRS in response to proposed regulations relating to the additional hospital insurance tax on income above threshold amounts, known as the Additional Medicare Tax under the Affordable Care Act. Submission of this letter to the IRS was a milestone for IMA since it was the first letter that IMA has sent to that agency.

The SBFRC also responded to a proposed Exposure Draft issued by the American Institute of Certified Public Accountants (AICPA) on a Financial Reporting Framework for Small and Medium-Sized Entities (FRF for SMEs). The SBFRC expressed its opposition to the proposed FRF for SMEs: "First, we believe that there should be one set of standards for all companies, and second, we question the need and demand for an optional framework which could cause confusion for various market constituents." The comments of the letter are in keeping with the overall viewpoint of the SBFRC, which has consistently argued that there should be only one set of GAAP and that ex-

ceptions should be allowed only in certain circumstances. The letter concluded by asserting that the proposal is a step back in the ongoing effort to create a private company financial reporting process that's transparent.

*What other tax issues that impact small and medium-sized entities should the SBFRC monitor and address?*

### **COSO Update**

Sometimes it's difficult to identify an output that results from the work of an organization's committee or panel. The release on May 14 of the updated *Internal Control—Integrated Framework* from the Committee of Sponsoring Organizations of the Treadway Commission (COSO), however, represents an output of high quality that can be attributed in part to the rigorous reviews of the material by IMA's COSO Ad Hoc Advisory Panel. The Panel should be applauded for its work on this initiative. COSO's new Framework is expected to help organizations update internal controls in light of the many changes in business and operating environments that have occurred since the original Framework was published. The new edition will also broaden the application of internal control in addressing operations and reporting objectives, as well as clarify the requirements for determining what constitutes effective internal control.

Also issued as part of the Framework package were *Illustrative Tools for Assessing Effectiveness of a System of Internal Control* and *Internal Control over External Financial Reporting (ICEFR): A Compendium of Approaches and*

*Examples. The Illustrative Tools* document is expected to assist users when assessing whether a system of internal control meets the requirements set forth in the updated Framework. The *ICEFR Compendium* is particularly relevant to those who prepare financial statements for external purposes based on requirements set forth in the updated Framework.

As a founding organization of COSO, IMA continues its commitment to inform members about the Framework. An article featured in the June 2013 issue of *Strategic Finance*, "The 2013 COSO Framework and SOX Compliance," by J. Stephen McNally, describes a five-step process that may help companies navigate a transition from the original Framework to the new one. A copy of the article can also be found on COSO's website at [www.coso.org](http://www.coso.org).

In June, IMA's 94th Annual Conference, held in New Orleans, La., included a session titled, "Leveraging Effective Risk Management and Internal Control for Your Organization." The session compared the important risk management and internal control guidelines in COSO's revised *Internal Control—Integrated Framework* to other frameworks. And on July 2, IMA hosted a webinar titled, "COSO's Revised *Internal Control Framework—Tips and Tools for Implementation*." Presented as part of the *Inside Talk* webinar series, the webinar highlights how to use the *Illustrative Tools* document to help with implementation.

IMA members can receive a special 20% discount on the Framework and supplemental booklets.

Visit [www.coso.org/IC.htm](http://www.coso.org/IC.htm) and follow the “Purchase Guidance” links. Use promo code IMAIC at checkout to receive your IMA discount.

*What tools or resources should be made available by IMA to assist stakeholders with implementation of and transition to COSO’s revised Framework?*

### **New Direction for IMA’s Technology Committee**

In organizations such as IMA, the general objective for committees is to meet the needs of members. Strategic assessments should be done periodically to ensure that member needs are still being met. If it’s determined they aren’t, then it’s time for the committee to change direction. IMA’s XBRL Committee faced this challenge earlier this year. The objective of the XBRL Committee under its original charter in 2009 was to develop a strategy for further engagement in XBRL as it reaches a global critical mass. In a strategic planning meeting in March, the Committee determined that, while it was successful in educating IMA members about XBRL, the group needed to expand its focus beyond XBRL to better meet the needs of IMA members. Based on this conclusion, a new charter was approved by the IMA Global Board of Directors for the Committee to function under the title of Technology Solutions and Practices, effective July 1.

The objective of the new Committee is to promote existing and emerging technology solutions and practices in a vendor-independent manner to enable accountants and financial professionals in business and their organizations to be more

effective and efficient. Its focus includes financial planning and analysis, risk management and internal controls, business reporting and analysis, and business process improvement. The Committee will look to achieve this goal via education, research, and awareness building.

*What tools and resources should IMA’s new Technology Solutions and Practices Committee provide to inform members about emerging technology platforms?*

### **Tell Us What You Think**

IMA’s advocacy efforts work best when members communicate with us to share their thoughts and concerns. You can find more information about the positions that the committees and IMA have been taking on these various issues by reading IMA’s comment letters at [www.imanet.org/about\\_ima/advocacy\\_activity](http://www.imanet.org/about_ima/advocacy_activity).

Please contact me at [LMills@imanet.org](mailto:LMills@imanet.org) to share your thoughts about the questions raised in this article or any other advocacy concerns. **SF**