



Accountancy Profession Strategic Forum

Serdica Ballroom, Sheraton Sofia Hotel Balkan, Sofia

16 – 17 April 2013



Accountancy Profession Strategic Forum

Welcome and review
Martin Manuzi, APSF Chairman



Accountancy Profession Strategic Forum

Working to meet common goals: regulators, World Bank and the profession



The World Bank Centre for Financial Reporting Reform



Achieving sustainable PAOs – opportunities and lessons learned

Liam Coughlan
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ICAEW Conference, Sofia, April 16-17, 2013

- **Objectives**

- Provide an overview of key challenges facing PAOs in achieving sustainability based on project implementation and PAO development experience
- Facilitate and stimulate discussion aimed at identifying lessons learned and opportunities for the emerging profession

- **Presentation outline**

1. Introduction: characteristics of the profession
2. What is sustainability – and what it implies
3. Trends and research findings
4. Conclusions



What are the characteristics of the system of professions?
Why is it important?

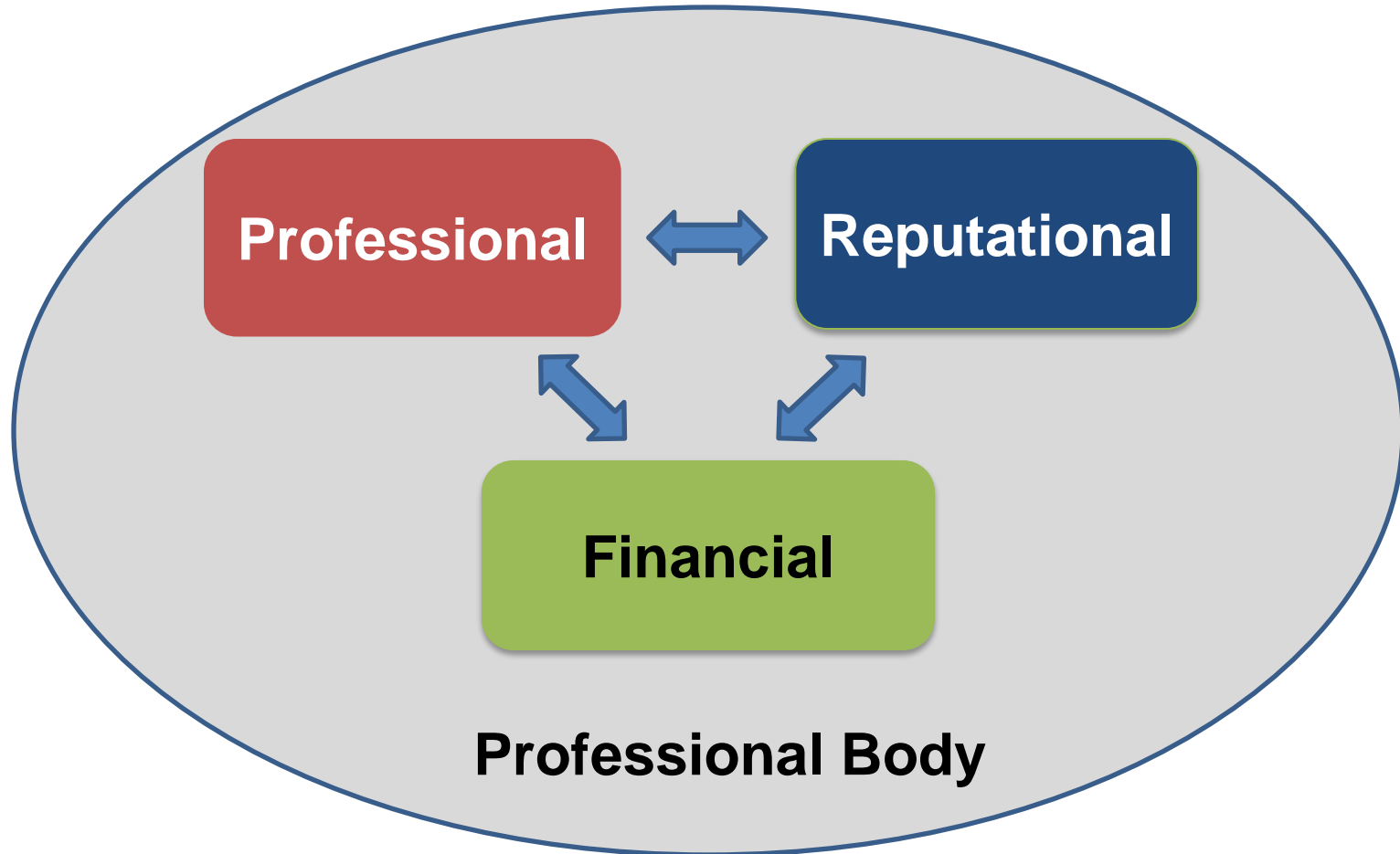
- “A profession is a disciplined group of individuals who adhere to ethical standards and who hold themselves out as, and are accepted by the public as possessing special knowledge and skills ...at a high level, and who are prepared to apply this knowledge and exercise these skills in the interest of others.
- It is inherent in the definition of a profession that a code of ethics governs the activities of each profession....
- They define and demand high standards of behavior and practice in respect to the services provided to the public and in dealing with professional colleagues. Further, these codes are enforced by the profession and are acknowledged and accepted by the community”

Source: *Council on Professions Australia*



Sustainable – 3 dimensions:

Dimensions of sustainability



- Sustainability - professional
 - PAO seen as centre of excellence, source of authority and thought leadership on accounting, FR, FM, Audit and related issues
 - PAO supports members in practice and in business with technical advice sufficient to support the application of standards and ethics
 - PAO seen as a credible and valuable source of information and commentary on European and global developments in the financial information system

- Sustainability - reputational
 - PAO seen by society to serve the public interest, and not the interests of its members
 - Professional accountants and auditors, and the systems and approaches they create and maintain are perceived as a positive and vital element of the financial ecosystem of a country
 - Accounting and auditing perceived as a worthwhile career for parents of the next generation, capable of making an important contribution to economic development, whether in public or private sectors of economy

- Financial sustainability means
 - Income of PAO sufficient to cover investment and recurrent costs required for professional and reputational sustainability.
 - Sources of income... subscriptions, training IPD v CPD and wider, publications, variable proportional regulatory fees, growing reliance on IP (rights, licenses and membership data eg branded credit cards etc)



Some Observations:

- Based exclusively on IFAC published Part 1 and 2 compliance information, verified by reference to ROSC, published annual reports
- In 2011 (all data constant), the total income of the global IFAC membership was approximately \$1.8b (of which 15% from UK alone)
- The total IFAC “tax” for that year was 1% (in 2006 it was less than 1% (0.0083), mostly borne by smaller number of lead bodies (25/175) with special capital levy from Top 42 (2011). TR for 2011 was \$26m.
- IFAC received 13m from subs, 9.7m from Forum of Firms, 1.7m special assessment and 0.5m from WCOA 2010. (IFAC AR2011). Noted impairment loss on value of IP (IFAC Guide to using ISAs for SMPs)

- Perception of IFAC as a regulator
- Perception of accounting, auditing (and PAOs) of other stakeholders
- Culture of non-payment of membership subscriptions, current financial climate
- Languages (and translations)
- Variable definitions of “membership”
- Variable definitions of “accountant”



Challenges – moderated discussion

- GREATEST CHALLENGE is to market the benefit of the skills and services of PAO members, and public education of value of PAO qualifications
- Market recognition will ensue, as this required for long term political buy-in for statutory recognition
- Focus on developing capacity to meet needs of economy, should enhance market recognition
- Fundraising needs careful articulation of benefit to economy (and not expressed solely in terms of needs of the professionals)
- Don't systematically import the so-called best practices, there are valuable "lessons not to be learned" also
- Mentoring/partnerships and peer learning very effective



Thank you – let us discuss



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EU reform agenda and the profession



Federation of European Accountants
Fédération des Experts comptables Européens

State of Play on EU Reform Agenda

ICAEW Forum

Sofia, 17 April 2013

André Killesse, FEE President

Topics for discussion

- 1** State of Play in the **EU**
- ↪ EC **Audit** Policy Proposals
 - ↪ EC **Accounting** Directive replacing the 4th and 7th
 - ↪ EC Proposals on Long Term Financing
 - ↪ Expected Proposals on **non financial information**

- 2** Strategic issues for **Professional bodies**
- ↪ PIE / non-PIE definitions and its consequences
 - ↪ Alternative forms of assurance
 - ↪ Multi disciplinary Practices
 - ↪ Eurostat Proposals for public sector accounting



State of Play in the EU

Audit Policy Proposals

- Currently debated in the **European Parliament**
- **Expected key battle grounds to arrive at a compromise:**
 - ↪ Legal instrument: Regulation or Directive?
 - ↪ Mandatory audit firm rotation with or without tendering on a regular basis
 - ↪ Provision of non-audit services close to the IESBA Code of Ethics (or not)



Future steps and timeline

EU Body	Timeline
EP Committees Vote	March (ECON) and April (JURI) 2013
EP Plenary Vote	June 2013 Under Irish Presidency H1 2013
Council Vote	(unlikely – under Lithuanian Presidency?)

➤ **Still work in progress**



EC Accounting Directive replacing the 4th and 7th

- The Irish Presidency prepared a revised Compromise Text and intensified the discussion at trilogue level
- Expected key issues to be resolved to reach a compromise:
 - ↳ Country by Country reporting (scope & criminal law exemption)
 - ↳ Fair value accounting
 - ↳ Audit opinion on management report
- Indicative first reading date in the European Parliament:
21 May 2013

Other EU current developments

- EC Proposed upcoming measures re **long-term financing of the European economy** aiming at
 - ↳ Reinstalling confidence
 - ↳ Boosting the financing of the European economy
 - ↳ Enhancing competitiveness in the market place
- Development of **non-financial information** in the annual report of large EU undertakings
 - ↳ Environmental, social and employee-related matters, respect of human rights, anti-corruption and bribery aspects
 - ↳ Description of applied policies, results and risks-related aspects

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Strategic issues for Professional bodies

Consequences on PIE/Non-PIE definition

- **PIE / Non PIE definition** that is currently discussed in the EU Institutions can have major consequences on the profession as a whole
 - ↪ Different accounting and auditing requirements?
 - ↪ Different public oversight system?
 - ↪ Different quality assurance review?
 - ↪ Would result in first and second tier auditors?

Alternative forms of assurance

- Increase in **audit exemption thresholds** in EU exacerbates need for alternatives to audit for SMEs, which are sometimes made mandatory (f.i. in Denmark, Estonia and Switzerland)
- **Review engagement** is not always seen as an alternative re
 - ↳ Work effort considered too low
 - ↳ Negative opinion unacceptable
- **Alternative forms of assurance** to be developed
 - ↳ IAASB Framework not always followed
 - ↳ Alternative services are not only provided by members of the accountancy profession

EC Eurostat Proposals on Public Sector Accounting

- EC Assessment on the **suitability of IPSASs** published on 21 March 2013
 - ↪ IPSASs recognised as ‘indisputable reference’
 - ↪ But IPSASs cannot be implemented in the EU as they are
- Way forward in the EU
 - ↪ **Development of EPSAS**, EU designed standards
 - ↪ Further EC consultations to make this happen
- The **profession** can play a **major role** in this debate
- FEE will develop its position on the EC Proposals & will speak at EC event on Public Sector Accounting



Standing for trust and integrity

FEE

The logo features the letters 'FEE' in a bold, white, sans-serif font. The letters are separated by thin white vertical lines. Below the text is a thick, orange, curved swoosh that starts under the 'F' and ends under the second 'E', tapering to a point at the bottom left.

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EU reform agenda and the profession



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Key observations from APSF 2013





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Concluding remarks

Boyko Kostov, President, ICPAB



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Close and lunch

