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**Franco- British professional update and AGM**

**Cercle Interalliee**

**Paris**

**Intro**

Ladies and gentlemen,

I am delighted to be with you this evening to brief you on a number of issues.

While I consider myself to be incredibly privileged to work in London – I must confess to being a little envious of your opportunity to work in this other great - and beautiful - city.

Within this small but perfectly formed group tonight I am delighted to see Francoise Berthon, President of the Paris region of the Ordre Des Experts Comptables, together with her Secretary General Philippe Stempert. I would also like to thank Nick Rolt for inviting me to attend.

I understand it' s my role to bring you important news from the UK – the first key message is that – thanks largely to an influx of outstanding French chefs into London- the food is better than the weather .....and I hear a rumour that London now has more Michelin starred restaurants than Paris .....

Seriously, there are a number of developments which I would like to share with you, issues which we believe will have an impact on your working lives

### **Audit reform discussions in Westminster and Brussels**

The key area of debate, both in Westminster and Brussels has been around audit quality and a reform of standards.

In March the House of Lords Select Committee on Economic Affairs looked into audit quality.

We were delighted that the Lords recognised that audit adds value for businesses and their stakeholders and we agreed with their view that the role of audit needs to be strengthened. We also agreed with the recommendation that audit committees should hold discussions with principal shareholders.

But what concerned us was the Lords' conclusion that the introduction of IFRS has led directly to a reduction in audit quality.

We do not believe the banking crisis was predominantly caused by accounting issues and we are not convinced that IFRS provides less scope for auditors to exercise prudent judgement, as is alleged.

We also said that IFRS includes an overriding requirement that the financial statements should present fairly the position and performance of a company.

It is important to recognise one of the specific IFRS weaknesses identified by the Lords which centred around the treatment of expected rather than incurred loan losses – is already being remedied.

We believe the criticisms made of IFRS are not helpful given that most countries have now committed themselves to adopting it as the preferred reporting framework for listed companies, with the US preparing to make its own decision as to the status of IFRS later this year.

We also had concerns about the Lords recommendations over the banning of certain non-audit services.

While there is a strong case for auditors to be excluded from internal audit work, we do not feel that tax advisory work should be included in any ban, and certainly not for smaller entities.

Most companies will feel aggrieved at the costly prospect of having to take on another firm of advisors to do tax work.

Meanwhile, in Brussels, ACCA also commented on EU Green Paper on Audit, which was entitled *Audit Policy: Lessons from the Crisis*.

ACCA agrees with the Commission that the role of the auditor needs to evolve to take into account more forward-looking information, and for

the auditor to give opinions not just on the financial statements, but also on areas such as the company's internal controls, corporate governance arrangements and the financial assumptions underlying the business model.

By doing this, auditors will better meet the needs of stakeholders who want their views on the general economic and financial outlook of the company. This will help address the so-called 'expectations gap.'

We were pleased that the Commission identified the issue of greater communication by auditors to stakeholders. For example, much of the comment that goes into management letters would be of great interest to stakeholders.

On the issue of audit concentration, ACCA agrees with the Commission that measures need to be explored which will overcome the barriers to smaller firms taking on large audits - competition would be a good thing in this context.

We believe action against restrictive covenants here would help, along with liability issues being properly addressed. But we do not agree with the idea floated of 'downsizing' or restructuring the Big Four firms.

Another key issue mentioned was the development of a pan European Committee which would reinforce co-operation and ensure a common approach to the monitoring of audit firms.

But if a EU wide body is set up we would argue that principles of good regulation mean that the actual monitoring of firms must be carried out by the national regulator. Ultimately, what ACCA wants to see is better, not more regulation.

It is clear from the paper and ensuing discussions that the Commission is determined to act on financial reporting frameworks and audit, so we all need to watch this space in the coming months.

## **CCCTB**

Also at a European level, ACCA welcomed the European Commission's publication of a proposal for a Directive on a Common Consolidated Corporate Tax Base (CCCTB).

We believed the proposal was right to state that member states should maintain the ability to set their own tax rates and keep some control over tax revenues – but also to make the CCCTB available to companies, which then could decide which tax regime to adopt.

A clear, simple and user-friendly CCCTB - providing that it remains voluntary for each Member State to decide the approach that best fits its own national budgetary needs and tax policy mix - would help enhance the competitiveness of European businesses, - especially Small and Medium Enterprises (SMEs) - and attract investment.

While several member states are resisting CCCTB, ACCA believes that it would be a useful option to address underlying tax obstacles - such as double taxation- which exist for companies operating in more than one Member State . The 'one-stop-shop' system for filing their tax returns will help reduce administrative burdens."

It would allow companies to use the same methodology for calculating their profits and losses throughout the EU. It will also help in reducing discretionary practices, and reduce compliance costs - especially for SMEs, for which these costs are disproportionately higher.

We also support 'one-stop shops' for VAT and 'home state taxation' principles that would provide SMEs with the right incentives to go international and make the most out of the single market, as highlighted in the Single Market Act and in the spirit of the revised Small Business Act.

Having looked at pan European issues – I'd quickly like to touch on some ACCA issues.

### **ACCA developments**

As you may be aware ACCA has made some changes to its qualifications recently.

Firstly, in response to the fact that employers around the world were saying that corporate governance was becoming an even more important issue for them, we announced that we would increase the coverage of risk even further within the professional Qualification.

With effect from June, Paper P1 Professional Accountant has been renamed Governance, Risk and Ethics. This reflects the content of the

syllabus which deals with such issues as compliance, controlling and mitigating risk and coping with ethical dilemmas.

To ensure that we continue to meet the needs of employers, and ensure that students and members are equipped with skills and experience to add real value to the organisations for which they work, ACCA recently launched Foundations in Accountancy, a new flexible suite of entry-level awards.

Launched after detailed consultations, Foundations in Accountancy, which includes the Certified Accounting Technician qualification, gives a grounding in financial and management accounting, with professionalism and ethical behaviour at its core.

For the first time, certification is awarded at each level, enabling students to chart their progress and employers to recruit and train to meet their particular business needs. The practical content means that the knowledge students gain can be directly applied in the workplace, offering immediate benefits to existing and prospective employers.

We will be developing a number of initiatives in this regard and look forward to developing partnerships with employers around the world in

future, who provide opportunities to our 140,000 members and 400,000 students.

We also work to develop partnerships with other professional bodies – we have 80 such agreements at this time - all of which are dedicated to either helping to develop the wider profession, to improve education and training of finance professionals, or to share and develop research on issues which affect us all.

In conclusion I hope that you will agree that ACCA is working hard on your behalf to ensure that your concerns are raised at European level.

We welcome your comments and input and want to reaffirm our commitment to working on your behalf,

**THANKYOU**