



ANNUAL REPORT 2002

Fédération des Experts Comptables Européens



Foreword by David Devlin, FEE President

It has been an eventful year for the profession, both in Europe and worldwide. I will briefly mention some major issues.

IAS Regulation

The approval of the IAS Regulation, requiring listed companies in Europe to apply International Financial Reporting Standards (IFRS), was a major step forward for financial reporting. The official recognition of EFRAG, as the technical level advisory body in the IFRS endorsement process, is an achievement of which the European accounting profession can be justifiably proud. FEE has been instrumental in the development of EFRAG, and continues to support the financial reporting advisory group.

However, there is still progress to be made. Enforcement of standards is necessary in order to achieve consistent and rigorous application of financial reporting standards throughout Europe.

FEE's influential discussion paper on enforcement of IFRS within Europe was launched in April 2002. It was a clear example of the European accounting profession utilising its expertise proactively, providing solutions of value to the public interest, regulators, the business community, and other stakeholders.

Restoring Confidence

The IAS Regulation can be seen in the context of restoring confidence in financial markets. Throughout 2002 this has been a top priority for FEE, in particular confidence in financial reporting and auditing. In May, we launched a Position Paper on the Role of Accounting and Auditing in Europe. It provided a much-needed snapshot of the current situation and highlighted areas requiring immediate action. It underlined the profession's desire to provide capital markets and other stakeholders with high quality accounting and auditing standards, in the public interest.

European Initiatives

The new European Commission communications mark the next stage in the programme to build common standards for financial reporting, auditing, and corporate governance of the single financial market. These initiatives will provide a common framework under which European member state governments and regulators can implement the reforms necessary to restore confidence in financial markets and the auditing profession. It is important that member state level reforms should not diverge unnecessarily from European and global norms.

Sarbanes-Oxley

Regulatory developments in the US are impacting on the profession in Europe. The extraterritorial demands pose a challenge to global

convergence of corporate regulation in the widest sense. The US SEC and PCAOB consulted actively on the Sarbanes-Oxley Act implementing proposals. FEE responded with solutions that emphasise the equivalence of objectives and outcomes of regulatory approaches on both sides of the Atlantic. FEE has provided support to the European Commission throughout its discussions with US authorities.

"...the European accounting profession has prioritised its efforts; restoring confidence in financial markets is key..."

David Devlin

Other Issues

In this article it is impossible to highlight all of the major initiatives and topics currently on FEE's agenda. However, a quick glance through this annual report will allow you to understand better the many and diverse areas of activity in which the European accounting profession is active.

General Assembly

Finally, I mention the FEE General Assembly of 19 December 2002. FEE has grown, with three new member bodies joining from Central and Eastern Europe. Also two formerly correspondent members became ordinary members. FEE Council has emphasised the importance to the profession of having member bodies of the highest level in each of the accession states of the EU.

The General Assembly was also the end of the two-year term of my predecessor Göran Tidström, to whom I would like to pay a special tribute. Under his strong leadership FEE has achieved many significant objectives, notably on European financial reporting strategy and in particular with the establishment of EFRAG.

Contents:

Governance of FEE	2
Financial Reporting	4
Capital Markets	7
Auditing	8
Professional Regulation	10
Taxation	12
Public Sector	14
SME	15

GOVERNANCE OF FEE

Council

The Federation is administered by a Council. There is one Council representative for each country in which FEE has one or more ordinary members. In 2002, the Council met 5 times.

Executive

The Executive is responsible for the implementation of the decisions taken by the Council as well as for the day-to-day management. The Executive held 7 meetings and 2 conference calls. For 2003, the Council has increased the delegated powers of the Executive, and as a result the Executive will meet more frequently.

The Executive in 2002

Göran Tidström	President
David Devlin	Deputy President
José Maria Bové	Vice-President
Robert Hodgkinson	Vice-President
Stefano Marchese	Vice-President
Jacques Potdevin	Vice-President & Treasurer
Harald Ring	Vice-President



The FEE General Assembly is held every two years. A new President is elected and a new FEE Council and Executive are formed at the biennial event. Photographed above are members of the new FEE Executive, from left: Robert Hodgkinson; David Devlin; Lino De Vecchi; Hans Van Damme; José Maria Bové; and Tom Myhre

Working Parties

Council decisions are usually prepared by specialised working parties, established to elaborate on specific Council objectives. Some of the working parties continue their activities over a long period due to the characteristic of the subject matter and subsequent developments.

All FEE member bodies, including correspondent members, have the right to appoint a representative to serve on each working party. The Annual Report details the activities of FEE working parties operational in 2002.

General Assembly

The General Assembly held on 19 December 2002 elected Mr. David Devlin as the new President of the Federation. Mr. Devlin was the former Deputy President and country representative for Ireland. The President serves a two-year mandate. A new Executive was also elected for a concurrent two year period.



The Executive for 2003/4

David Devlin	President
José Maria Bové	Vice-President
Lino De Vecchi	Vice-President
Klaus-Günter Klein	Vice-President
Robert Hodgkinson	Vice-President
Tom Myhre	Vice-President
Jacques Potdevin	Vice-President & Treasurer
Hans Van Damme	Vice-President

GOVERNANCE OF FEE

New FEE Members

Three institutes were formally approved as new member bodies at the General Assembly of 19 December 2002. The Fédération des Experts Comptables Européens now groups together 41 professional bodies from 29 countries.

KIBR – National Chamber of Statutory Auditors (Poland), and Slovenska komora auditorov (Slovak Republic) have become ordinary members of FEE. The General Assembly also saw two former correspondent members KACR - Komora Auditoru Ceske Republiky (Czech Republic) and MKVK - Magyar Könyvvizsgálói

Kamara (Hungary) become ordinary members. The Institute of Certified Public Accountants in Bulgaria has become a correspondent member of FEE.

New FEE Member Bodies

Institute of Certified Public Accountants in Bulgaria
KIBR - National Chamber of Statutory Auditors (Poland)
Slovenska komora auditorov (Slovak Republic)



FEE President, Mr. David Devlin (second from left) with FEE member body Presidents (from left): Mr. Bosela, (Slovakia); Mr. Rojek, (Poland); Mr. Kriz, (Czech Republic); Mr. Sugar, (Hungary)

Publications

FEE Council approved 9 publications in 2002. FEE publications can be downloaded free-of-charge from:

<http://www.fee.be/publications/main.htm>

FEE Publications can be ordered from:

Sylvie Romancide

fax: + 32 2 231 11 12

email: sylvie_romancide@fee.be

Position Paper The Role of Accounting and Auditing in Europe
FEE Council

Survey on Business Combinations
Accounting Working Party

Discussion Paper on Enforcement of IFRS within Europe
Capital Markets Advisory Group

E-Commerce: Model Code of Conduct
Liberalisation-Qualification Working Party

How to Prepare the Successful Sale of an Established Family Business
Directory of Member Body Publications on SME and SMP Matters
SME/SMP Working Party

Discussion Paper Providing Assurance on Sustainability Reports
Fact Sheet: Greenhouse Gasses and the Accountancy Profession
Sustainability Working Party

Position Paper on Controlled Foreign Company Legislations in the EU
Direct Taxation Working Party

FINANCIAL REPORTING



“In 2002 the priority was firmly on financial reporting; the Accounting Working Party has adapted to meet the increased demands of both EFRAG and IASB”

Benoît Lebrun
Accounting Working Party Chairman

ACCOUNTING WORKING PARTY

International Financial Reporting Standards

The Working Party contributed to the work of IASB directly and via input to EFRAG. Projects worked on included: the Exposure Draft on Proposed Improvements to IAS; the Exposure Draft on First-time application of IFRS; and the amendments to IAS 19, IAS 32 and IAS 39.

Additional comments were made on EFRAG's advice to the European Commission regarding the endorsement of existing IAS. FEE supported the approval of all standards and interpretations extant at March 2002 en-bloc as a starting point for the use of IAS in Europe.

The Working Party has commenced monitoring of the implementation of the IAS Regulation in each EU member state.

Publications

In March, the Working Party published a Survey on Business Combinations. The survey gave a comprehensive overview of methods of accounting used in the consolidated financial statements of major European companies. It has made a valuable contribution to the current discussion on accounting methods for business combinations. A major survey was also completed on the impact of IAS on EU statistics (at request of Eurostat).

Other Projects & Future Plans

The Working Party is monitoring business reporting on the Internet and XBRL. Also under consideration (in cooperation with FEE's Direct Tax Working Party) is the European Commission consultation related to IAS reporting for tax base. Reactive work will also continue, responding to relevant initiatives of organisations, such as UNCTAD/ISAR's draft guideline on accounting for SMEs.

However in 2003 the main focus will again be on IFRS and the priority will be to make sure that the European profession's view is considered for each IASB initiative. Through the Financial Instruments Subgroup, the Working Party will participate in the debate and roundtables of IASB on the amendments to IAS 32 and IAS 39. The work of CESR on the enforcement of IFRS in Europe will be followed with interest and comments are also to be provided to FASB on its proposals for a principle-based approach to accounting standard setting.

FINANCIAL REPORTING

BANKS WORKING PARTY

IAS 32 & 39

The main focus of 2002 was on financial instruments. In June, IASB published its exposure drafts of the proposed amendments to IAS 32 - Financial Instruments: Disclosure and Presentation, and IAS 39 - Financial Instruments: Recognition and Measurement. Comment letters were developed in the FEE Financial Instruments Subgroup.

Financial Instruments Subgroup

The Subgroup is composed of members of the Accounting, Banks and Insurance Working Parties. The main task was to develop comment letters both to EFRAG and directly to the IASB on IAS 32 and IAS 39. The discussion on hedge accounting and internal contracts formed a large part of the debate, as well as several insurance aspects, for example the definition of an insurance contract.

IASB Round Table

In December 2002, the IASB announced that it would hold public Round Table discussions on the exposure draft of proposed amendments to IAS 32 and IAS 39. The objective is to gain an open exchange of views of concerned stakeholders, and the main topics to be discussed are: hedge accounting; derecognition of financial assets; impairment and uncollectability of financial assets; and transactions in an entity's own equity instruments. The IASB Round Tables will take place in March 2003 and will be the Subgroup's immediate priority in the first quarter of 2003.

Other Projects

The Banks Working Party closely monitored the work of the Basel Committee. Furthermore, some significant projects were reviewed by the Working Party, including: the extension by the European Commission of the modernisation of the Accounting Directives to the Bank Accounts Directive; and the European Parliament's report on prudential supervision.

The Working Party has followed developments in relation to the IAS Regulation and contributed to the FEE response to the IASB's exposure draft on first-time application of IFRS. Another IASB project, one on deposit-taking, lending and securities was monitored in order to prepare for active contribution once the exposure draft is available.

Future Plans

For 2003 the focus of activity for the Working Party, (both directly and through the Financial Instruments Subgroup), will continue to be on financial instruments and the related European endorsement process.



"The IAS Regulation has been warmly welcomed by the profession. Now progress is required on the rapid endorsement of the international accounting standards in Europe. Some difficulties still exist in areas such as financial instruments; in 2003 the major task will be to drive the discussion forward... "

Hans Van Damme
FEE Vice-President, Banks Working Party Chairman
& Financial Instruments Subgroup Chairman

FINANCIAL REPORTING



“During 2002 the Insurance Working Party focused its activities on three main areas: the insurance project of IASB; IAS 32 & 39; and the reform of the solvency system, with related input to EFRAG’s Insurance Subcommittee.”

Gerd Geib
Insurance Working Party Chairman

INSURANCE WORKING PARTY

IAS 32 & 39

The Working Party’s expertise and understanding of the insurance perspective allowed valuable contributions to be made to FEE’s comment letters on the proposed changes to the international financial reporting standards, namely IAS 32 & 39.

Insurance Project of IASB

The Working Party has been successful in developing its relationship with EFRAG, aided by the fact that the Chairman is also a member of EFRAG’s Insurance Subcommittee. This has been particularly relevant with regards to the discussion on an IFRS for insurance companies. Hence, FEE was able to participate in a presentation on the insurance project to the Technical Expert Group of EFRAG.

Reform of the Solvency System

Representatives from the European Commission participated in all meetings of the Working Party. Inviting representatives from the European Commission allows a direct exchange-of-views on an informal and timely basis.

Specifically, the dialogue has focused on developments in the field of reform of the solvency system as well as the possible supervision for reinsurance companies.

Future Plans

In 2003 the highest priority in the short-to-medium terms will be monitoring the development of an international financial reporting standard on insurance contracts. The IASB has decided to divide the project into two phases. For phase I, an exposure draft is expected to be published in mid 2003. The phase II exposure draft may be issued by the end of 2003. The Working Party will provide strong input to both FEE and EFRAG’s comment letters. Technical accounting issues as well as related questions of auditing will be addressed.

Other issues for the Working Party will concern monitoring IFRS that could impact directly on the insurance industry. The Working Party will work with the other FEE Working Parties to consider future developments in the supervision of insurance companies and financial conglomerates.

Working Party:

Insurance Working Party

Capital Markets Advisory Group

Contact:

Catherine Ameye, Project Manager
catherine_ameye@fee.be

Saskia Slomp, Technical Director
saskia_slomp@fee.be

CAPITAL MARKETS

CAPITAL MARKETS ADVISORY GROUP

The Capital Markets Advisory Group (CMAG) has met frequently as a result of important developments in the capital markets area which have necessitated intensified contacts with key organisations, such as CESR. In addition two subgroups were created to assist in the areas of: Corporate Governance; and the Prospectus Directive.

Enforcement

It is crucial that effective enforcement is in place by 2005, the date by when all listed companies have to use IFRS. FEE drove the debate on enforcement of high quality financial reporting and on the need for improvement or establishment of effective national oversight systems by the publication of the Discussion Paper on Enforcement of IFRS within Europe. This paper was presented to both the Committee on Auditing and to the CESRfin Subcommittee on Enforcement. In October 2002, CESR published its proposed Statement of Principles regarding enforcement of accounting standards in Europe. FEE's response has been prepared and it will be submitted in early January 2003.

In 2003 the CMAG will continue its leadership role in this area, further developing its ideas on a European Enforcement Coordination as well as taking the debate forward on the issues of interpretations and pre-clearance.

Prospectus Directive

FEE reacted in December to the European Commission's revised proposal for a Directive. A second letter was submitted to the Commission emphasising the issues surrounding the proposals for access to audit working papers by regulators. Responding to the importance of this issue, FEE Council approved the creation of a Prospectuses Subgroup. The Subgroup will focus on the draft CESR Advice on possible Level 2 implementing measures for the proposed Prospectus Directive and the related addendum. Comment letters will be submitted early in 2003.

Sarbanes-Oxley Act

The CMAG contributed to the development of the FEE position and provided input to the European Commission's comments to the SEC's proposed rules stemming from the Sarbanes-Oxley Act. FEE supports the European Commission's ongoing dialogue with the SEC on recognition of equivalence of European and US approaches to corporate governance in the broadest sense.



“FEE is working hard to ensure that effective enforcement by effective national financial reporting oversight systems will be in place by 2005; the deadline set by the IAS Regulation. ”

David Devlin

FEE President & Capital Markets Advisory Group Chairman

Corporate Governance Subgroup

The Corporate Governance Subgroup was established in May 2002 .

Jaap Winter Group

The primary activity of the Subgroup was to contribute to the FEE comment letter on the consultation document of the Jaap Winter Group of company law experts regarding a modern regulatory framework for company law in Europe. When the mandate of the Jaap Winter Group was extended the Subgroup was instrumental in preparing the FEE response concerning, in particular, responsibility of management for the

preparation of financial information and the role of non-executive directors and supervisory boards. The Jaap Winter Group published its report in November 2002.

Corporate governance is one of the pillars of high quality financial reporting. It will be a very important area of the CMAG's work in 2003. The European Commission will soon publish a communication setting out its plans for company law and corporate governance over the next five to seven years. CMAG member, Johannes Guigard will lead activities in this area and will determine a strategic plan of

activities for FEE in both the domain of company law and corporate governance.

Discussion Paper

The Subgroup started work on a FEE Discussion Paper on Financial Reporting and Auditing Aspects of Corporate Governance. The paper will take an accountancy profession perspective and will focus on the role of the audit committee and the external auditor. The Discussion Paper will be published in 2003. It will also form part of the FEE reaction to the aforementioned communication on company law and corporate governance.

AUDITING

“FEE has led the debate on the future of auditing standards, proposing that all audits in Europe use International Standards on Auditing (ISA). The issue is now high on the political agenda.”

Robert Hodgkinson
FEE Vice-President & Auditing Working Party Chairman



AUDITING WORKING PARTY

The Working Party has addressed key policy issues arising from European and global developments in auditing. As well as proactive initiatives, comment letters have been forwarded to the IAASB and US Auditing Standards Board on exposure drafts and to other relevant documents. The attendance of the IAASB Chairman or his technical adviser at each of its meetings has enhanced the effectiveness of the Working Party.

involving: members of the IAASB Task Force charged with the revision of ISA 700 (audit reports); representatives of auditing standard setters in Europe; and the European Commission. The objective was to provide the IAASB with information on national requirements related to audit reports and to provide input on how ISA 700 might be improved to facilitate its use from 2005 as the basis of a common European audit report.

Applying ISAs in the EU

A major priority was following up on the FEE ‘Proposal on International Standards on Auditing in the EU’, which was published in November 2001. The paper is a clear indicator of FEE’s commitment to harmonised standards for all audits and proposes that auditors throughout the EU perform audits and report in accordance with ISAs by 2005. The proposal was promoted via presentations and meetings with relevant organisations and the European institutions. The issue of auditing standards is now high on the agenda of the European Commission’s Committee on Auditing. The launch of this paper has seen FEE lead the debate on the future of auditing standards in the EU.

Issues Paper on Assurance Engagements

The Chairman made a presentation on behalf of FEE at the World Congress of Accountants in Hong Kong in November 2002 on the subject of new demands for assurance. This presentation drew on the significant and original work of a subgroup of the Working Party, which during 2002 has continued to develop an issues paper on theoretical aspects of assurance engagements. Publication of the results of this project is expected in 2003.

ISA 700 - Audit Report

Although official endorsement of European policy on ISAs continues to await the publication of a European Commission communication on its audit strategy, in October 2002 FEE organised a meeting in Brussels

Future Plans

In 2003 the Working Party will organise a ‘Round Table’ meeting on quality assurance and will host another meeting of European auditing standard setters. It will also develop a discussion paper on the subject of reporting on internal control. However the work of the working party can be expected to be dominated by the forthcoming publication of a communication of the European Commission on statutory audit.

AUDITING

SUSTAINABILTY WORKING PARTY

In 2002, the key topics for the Working Party were: assurance of sustainability reports; implications of greenhouse gas emissions trading; guidelines for sustainability reporting; education; and communications with diverse international bodies, such as ISO, Global Reporting Initiative, and UN-Division for Sustainable Development.

Sustainability Conference

In April 2002, FEE held its Sustainability Conference in Copenhagen. Sustainability reporting and assurance have evolved from a process of innovation in corporate reporting. The conference focused on how such reporting impacts at company level, in terms of strategy formulation, process improvement and performance measurement. An impressive range of speakers and a wide range of stakeholders contributed to the event: standard setters, corporations, NGO's, accountants, investors and consultants presented their viewpoints. The delegates present agreed that third party assurance provision raises the quality and credibility of sustainability reports and can be seen as a key element for the wide scale acceptance of sustainability reporting. The successful event was organised by FEE's Danish member body, FSR.

Providing Assurance on Sustainability Reports

The FEE Discussion Paper Providing Assurance on Sustainability Reports was launched at the FEE Sustainability Conference. Sustainability reports, deal with environmental performance as well as the social and economic (not only financial) impacts of business. The publication aimed to stimulate debate on an element that is key to the wide scale acceptance of sustainability reporting, namely third party, independent assurance provision.

The discussion paper was developed by the Sustainability Assurance Subgroup. It has placed FEE in a thought-

leadership position on the issue of sustainability assurance. The Chairman of the Sustainability Assurance Subgroup, Lars-Olle Larsson presented the discussion paper at both the European Commission's CSR Round Table and to AccountAbility's CSR conference at which their assurance standard, AA1000 was launched. Comments and reaction received are currently being considered and will be used for a follow-up document to be released in 2003.

Greenhouse Gas

The Working Party's Fact Sheet was launched at the ISO meeting on environmental management. Titled "Greenhouse Gasses and the Accountancy Profession", it stressed the role accountants should play in the verification of emissions; the subsequent audit of financial consequences; and the overlap with existing work for the annual accounts. The Sustainability Assurance Subgroup has started developing a discussion paper on this subject.

The Working Party's profile in this area was aided by the Chairman's participation in a meeting with the International Emissions Trading Association (IETA) on the subject of how to account for GHG emissions reductions in annual accounts.

Future Plans

The Sustainability Assurance Subgroup has completed the text for a FEE brochure "Benefits of Sustainability Assurance". The goal is to convince reporting entities that the benefits of assured reports are greater than the costs. The publication concisely explains what is meant by assurance in the context of sustainability reports. It will be published in February 2003.

"Complex issues such as management of contribution to the economy, improvement of the environment, and social justice are now ready for accounting treatments. We are making a major contribution by utilising the reporting and assurance expertise of the accounting profession in this challenging new domain."

Johan Piet
Sustainability Working Party Chairman



PROFESSIONAL REGULATION

FEE SECRETARIAT

Working Party:

Ethics Working Party

Liberalisation-Qualification Working Party

Contact:

Saskia Slomp, Technical Director
saskia_slomp@fee.be

Henri Olivier, Secretary General
henri_olivier@fee.be

ETHICS WORKING PARTY

The EU Agenda

Recommendation on Independence

Following extensive discussion, the European Commission's Recommendation on Statutory Auditors' Independence in the EU, was published in May 2002. The Recommendation has been welcomed as it adopts a principles-based conceptual framework approach, consistent with the approach outlined by FEE in its publication of 2001: 'The Conceptual Approach to Protecting Auditor Independence'.

The principles-based approach, as reflected in the Recommendation, includes guidance, restrictions and prohibitions. This detailed guidance is a major step forward providing strong enforceable arrangements for auditor independence. Minor differences aside, the Recommendation takes a similar approach to section 8 of the IFAC Code of Ethics on Independence.

Work has continued on the project, started in 2001, to provide guidance on the implementation of both the Recommendation on Statutory Auditor's Independence and the IFAC Code of Ethics. It is expected that this project will be finalised in 2003.

Financial Reporting Chain

The Working Party has also started on a highly topical new discussion paper which develops the conceptual framework approach to independence, as pioneered by the Working Party in the context of auditor independence, and considers its application to all of those active in the financial reporting chain.

The International Agenda

Sarbanes-Oxley

Developments in the US, namely the Sarbanes-Oxley Act and the proposed rules of the SEC could potentially have a major impact on the European profession. Hence, the Working Party decided not only to provide input to the European Commission, but also to react directly to the SEC. The Working Party developed a detailed response focusing on independence issues raised by the Sarbanes-Oxley Act.

IOSCO

In October, IOSCO published its principles on independence. Their support of a principles-based, threats and safeguards approach, and of the IFAC Code of Ethics, was warmly welcomed by the Working Party.

IFAC

During 2002/2003, the other sections of the IFAC Code of Ethics, will be updated on a principles-based approach, bringing them into line with section 8 on Independence. The Working Party gave input to the work of the IFAC subgroup which covers fundamental principles applicable to all accountants. Progress in this area is aided by the fact that some Working Party members are also members of the IFAC Ethics Committee Subgroups.



"With the launch of the Recommendation on Independence of Statutory Auditors the milestone of a principles-based conceptual framework approach to auditor independence in Europe has now been reached."

Harald Ring
Ethics Working Party Chairman
& former FEE Vice-President

PROFESSIONAL REGULATION

LIBERALISATION-QUALIFICATION WORKING PARTY

E-commerce Code of Conduct

The Working Party published a model code of conduct in the field of e-commerce. It is intended for use by each FEE member body and it concerns commercial communications. It is a requirement of the recent Electronic Commerce Directive.

Survey: Conditions of Admission to the Profession

The Working Party also finalised a highly relevant survey examining both the conditions for entry to the profession of accountant and auditor, and the free movement for professionals between member states of the European Union. It is an update on a previous survey dating back to 1998.

Despite national differences, the survey identifies convergence trends in the education of accountants and auditors in Europe and on the conditions of admission to the profession. Approved by FEE Council late in 2002, the survey is closely linked to the focal point of the Working Party's activity in 2002, namely the proposed Directive on recognition of professional qualifications. The survey findings will be of great interest to FEE's member bodies, as well as to the debate regarding the proposed Directive.

Proposal for Directive on Recognition of Professional Qualification

The European Commission's proposal of March 2002 for a Directive on the recognition of professional qualifications was followed by a working document prepared by the

Member of the European Parliament, Mr. Zappalà. The Working Party has ensured that both Commission and the Parliament are aware of FEE's position concerning the reciprocal recognition of professional qualifications. FEE supports the objective of free movement for professionals between member states of the European Union. FEE also believes it is essential to ensure that all necessary safeguards apply to protect users of auditors' reports and more broadly the public interest.

Future Plans

The key activity of the Working Party will remain the development of the proposal for a Directive concerning the recognition of professional activities. Particular attention is needed for the profession of statutory auditing and the Directive must reflect the distinctions between it and other professions. Progress will be monitored and comments will be made where services offered by the accounting profession are concerned.

In agreement with the Ethics Working Party, the Working Party discussed the possibility of FEE conducting a survey on the situation of multi-professional firms in Europe. The utility as well as the possible content of the survey will be considered in 2003.

Another development for 2003 will be the creation of a subgroup, as approved by FEE Council, charged with carrying out a preliminary study in the area of education. The Education Subgroup will consider possible areas of interest for FEE in the field of education.

"We have been proactive, finalising a number of projects which will benefit the European accounting profession; in 2003 the focus will be on reacting to the proposal for a Directive on recognition of professional qualification"

Lino de Vecchi
FEE Vice-President
Liberalisation-Qualification Working Party Chairman



TAXATION

DIRECT TAXATION WORKING PARTY

Round Table Meeting

The FEE Round Table meeting 'Company Taxation and Europe-Today and Tomorrow' was a major success. Taking place in October, representatives of the European Commission, national tax administrators and international business organizations participated at the event. The aim was to develop proposals that could help harmonize company taxation throughout Europe. The main items debated were: a common consolidated base taxation and impact of IAS; a pilot for a European company tax system; a European tax system for SMEs; and developments of EU direct tax case law. A major conclusion of the Round Table was the widespread agreement on the need for development of European Tax Accounting Standards.

Position Paper & Comment Letters

In addition to that, the Working Party finalized and published a Position Paper on 'Controlled Foreign Company Legislations in the EU'. Comment letters were sent regarding the proposal for a Directive to ensure effective taxation of saving income in the form of interest payments within the Community; and to the OECD on the issue of 'Cross Border Income Tax Issues Arising from Employee Stock-Option Plans'.

Communications

In addition to the aforementioned Round Table, the Working Party supported awareness of its positions by participating in two key European Commission events, one on company taxation and the other on 'home state taxation'. Other relevant events were attended, including the CFE annual forum. The Chairman also participated in the 2002 IFA congress, and made a presentation on at the Telecom Tax Summit 2002.

Future Plans

The Chairman will participate in the European Commission's March 2003 workshop on the Application of IAS and its implication for an introduction of a consolidated tax base for companies with-EU wide activity. A position paper concerning the European Commission's Transfer Price Forum will also be developed. Other position papers are underway, namely those concerning Take Over of Losses, and Taxation of Corporate Re-Organizations. The major challenge for 2003 will be to continue to increase FEE's visibility on taxation issues.

"A major conclusion of the Round Table was the widespread agreement on the need for development of European tax accounting standards."

Stefano Marchese
Direct Taxation Working Party Chairman
& former FEE Vice-President



TAXATION



"The Working Party has prioritised its activities regarding EU legislation, and as a result it has been actively developing common positions and commenting upon relevant proposals."

Stephen Dale
Indirect Taxation Working Party Chairman

INDIRECT TAXATION WORKING PARTY

VAT & Other EU Initiatives

The Working Party developed the FEE position on the Directive amending Article 26 of the 6th VAT Directive 77/388, (regarding the special scheme for travel agents).

A number of European Commission initiatives were monitored and debated, including: the harmonization of national laws regarding the place of supply of installed goods, the Directives on electronic invoicing, VAT and e-commerce; the harmonisation of deduction rights and abolition of the 8th Directive, together with the consolidation of the 6th Directive; revision of the place of supply rules for gas and electricity and the supply rules for services; application of VAT to 'public services', including postal services; and the impact of fraud on the functioning of the VAT system.

VAT Liability Study

A study has been started on the implementation of the Directive 65/2000 regarding the determination of the person liable for payment of VAT. It will include a report on the implementation of the Directive in the various member states. Initial findings suggest that there are significant divergences between member states on the issue.

Communications

Contacts with the European Commission were significantly enhanced by the attendance of DG TAXUD officials at each of the meetings. The Working Party also participated in external events such as the conference on VAT fraud held by German Rheinland-Palatinate Finance Ministry, and at the European Council of Financial Executives. The Chairman also contributed an article to the International Tax Review.

Future Plans

In 2003 the Working Party will continue to monitor developments at European and international level, enhancing contacts with relevant European institutions. It will finalise the position paper on the notion of taxable person and will be involved in the review process of the consolidation of the 6th Directive, and the proposed Directives on Travel Agents, Postal Services, and Place of supply of services. The Working Party will be active in monitoring implementation of the Directive on invoicing and will produce recommendations for simplification and harmonisation. Active contribution will also be made to the European Commission's work on the revision of the place of supply of services and on the review of compliance obligations imposed on taxpayers.

FEE's TAXATION STRATEGY

In October 2002, FEE Council approved a strategy paper on the role of FEE in the field of taxation. The paper sets out the importance of the direct and indirect taxation areas to the profession noting the following objectives for the future:

FEE must be systematically and automatically involved in all EU panels and other high-profile events, maintaining strong relationships with European and international institutions;

FEE must develop position papers of high-quality, providing thought-leadership on major taxation issues, and which will be made available to members and the public via the website.

PUBLIC SECTOR

"The European profession is actively contributing to new thinking at the international level; in particular FEE members have contributed to the Standards Project of the IFAC Public Sector Committee."

Noel Hepworth
Public Sector Committee Chairman



PUBLIC SECTOR COMMITTEE

IFAC Public Sector Committee

The Public Sector Committee continued to monitor the activities of IFAC's Public Sector Committee (IFAC PSC) and has commented on relevant exposure drafts. The IFAC PSC has established a new Consultative Committee upon which the European profession is well represented. FEE also has members on the IFAC committees established to consider public sector specific topics in the second phase of the IFAC PSC's Standards Project. In this way FEE is actively contributing to new thinking on the treatment of non-exchange revenues, social policy obligations and budgets.

Accruals Based Accounting

The Committee has been preparing a statement on the approach by FEE member bodies to accruals accounting by governments. The adoption by governments (and by the European Commission) of accruals accounting, which replaces cash accounting, has substantial implications for the profession. There can also be considerable risks for governments. The proposed statement will be published in 2003.

Annual Management Reports

The Committee has prepared a statement on the need for and content of public sector annual management reports. The statement is of relevance to both member bodies and governments. It will be published in 2003.

Environmental and Sustainability Reporting

The Committee has started work in the area of environmental reporting. There is increasing interest by public sector auditors in this field and the work already undertaken by FEE's Sustainability Working Party will help the Committee in this respect. Work on this subject will continue during 2003.

European Commission Activity

The Chairman of the Committee was again invited to participate in the European Commission conference on improving audit approaches, focusing on a 'single audit approach' in order to reduce demands from different groups of public sector auditors.

Future Plans

The Committee's key challenge for 2003 is to ensure full contribution to the work of the IFAC PSC in order that it fully responds to European circumstances. A second challenge will be to ensure that there is effective co-ordination between the work of the Public Sector Committee and the equivalent committees of the member bodies of FEE. A third challenge will be to enhance the relationships with the European Commission and the Court of Auditors, so that increasingly the profession is regarded as having a significant contribution to make to the development of public sector accounting, audit and financial control.

Working Party:
Public Sector Committee

Contact:
Saskia Slomp, Technical Director
saskia_slomp@fee.be

SME

"FEE launched the third in a series of guides for the SME sector. Focusing on how to organise the successful sale of an established family business, the guide utilises the accountancy profession's expertise giving valuable and practical advice relevant to the majority of European companies."

Peter Langard
SME/SMP Working Party Chairman



SME/SMP WORKING PARTY

European Agenda

FEE has consolidated its position in the small and medium-sized enterprises (SME) sector. The Working Party is regularly invited to participate in the work programmes of both the European Commission and other European organisations representing SME interests. The Chairman has made presentations at European Commission meetings on issues such as 'avoiding business failure' and on 'planning for business transfer'.

The European Commission has its own SME Agenda and its emphasis is placed on: i) Start-Ups; ii) Funding; iii) Overcoming Financial Difficulties; and iv) Business Succession and Transfers. The Working Party has made representations on some of these subjects as well as responding to papers issued by the Commission. For example the Working Party has been involved with: DG Enterprise Meetings of Business Organisations; European Banking-SME Code Project; and the Basel II Capital Adequacy Framework.

International Agenda

The Working Party has coordinated its activities with the IFAC SMP Task Force and was present at the special meeting of SME/SMP Committee Chairs in Stockholm, organised by the IFAC SMP Task Force.

The Working Party also participated in the 29th International Small Business Congress presented by ISBC in Amsterdam in October. A joint meeting of the Working Party and members of the Royal NIVRA SME Group was held on this occasion.

Publications

The Working Party launched two successful publications: 'How to Prepare the Successful Sale of an Established Family Business'; and 'Directory of Member Body publications on SME and SMP matters'. In addition work has commenced on a number of new publications, including: 'General Principles for Writing a Business Plan' (in conjunction with IFAC); and 'Causes and Effects of Business Failure'.

Future Plans

In 2002, the Working Party continued to work towards achieving the goals set by its Business Plan, which was updated and approved by FEE Council in June 2001. In 2003, the Working Party intends to: respond to the European Commission Green Paper on Entrepreneurship; participate in the debate on the financial reporting requirements for EU private companies; and comment on the European Code of Conduct between credit institutions and SMEs.

The Working Party will continue to build on the relationship with key European SME organisations, including the European Commission. Opportunities to make presentations at relevant events will be sought. In addition the Working Party will liaise more closely with other FEE Working Parties to ensure that SME issues are addressed.

Working Party:

SME/SMP Working Party

Contact:

Chiara Pisano, Project Manager
chiara_pisano@fee.be



Annual Report 2002

Fédération des Experts Comptables Européens Rue de la Loi 83, B-1040 Bruxelles

email: secretariat@fee.be
website: www.fee.be

About FEE

The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe. It groups together 41 professional bodies from 29 countries. FEE member bodies are present in all fifteen member states of the European Union, nine European Union candidate countries and three member countries of EFTA.

Between them, these bodies have a combined membership of 500.000 individuals, of whom approximately 94% are from EU countries. Roughly 45% of the accountants represented in FEE work in public practice, providing a wide range of services to clients. The other 55% work in various capacities in industry, commerce, government and education.

For more about FEE visit the website:
<http://www.fee.be/secretariat/Introduction.htm>

The Fédération des Experts Comptables Européens (FEE) is open to reputable nationally representative professional European bodies of accountants. A full list of members of is available at:
<http://www.fee.be/members/countries.htm>



President David Devlin with the FEE Secretariat, 19 Dec 2002

FEE Membership

Austria

KAMMER DER WIRTSCHAFTSTREUHÄNDER
INSTITUT ÖSTERREICHISCHER WIRTSCHAFTSPRÜFER

Belgium

INSTITUT DES EXPERTS-COMPTABLES ET DES CONSEILS
FISCAUX
INSTITUUT VAN DE ACCOUNTANTS EN DE BELASTING
CONSULENTEN
INSTITUT DES REVISEURS D'ENTREPRISES
INSTITUUT DER BEDRIJFSREVISOREN

Bulgaria

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS IN
BULGARIA (*)

Cyprus

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF
CYPRUS

Czech Republic

KOMORA AUDITORU CESKE REPUBLIKY

Denmark

FORENINGEN AF STATSAUTORISEREDE REVISORER

Finland

KHT - YHDISTYS FÖRENINGEN CGR

France

COMPAGNIE NATIONALE DES COMMISSAIRES AUX
COMPTE
INSTITUT FRANCAIS DES EXPERTS COMPTABLES
ORDRE DES EXPERTS-COMPTABLES

Germany

INSTITUT DER WIRTSCHAFTSPRÜFER

Greece

SILOGOS EGEKRIMENOU LOGISTON - ELEGTON ELLADOS
SOMA ORKOTON ELEGTON LOGISTON

Hungary

MAGYAR KÖNYVVIZSGÁLÓI KAMARA

Iceland

FÉLAG LÖGGILTRA ENDURSKODENDA

Ireland

INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND
INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS IN
IRELAND

Israel

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS IN
ISRAEL

Italy

CONSIGLIO NAZIONALE DEI DOTTORI COMMERCIALISTI
CONSIGLIO NAZIONALE DEI RAGIONIERI E PERITI
COMMERCIALI

Luxembourg

INSTITUT DES REVISEURS D'ENTREPRISES
ORDRE DES EXPERTS COMPTABLES

Malta

THE MALTA INSTITUTE OF ACCOUNTANTS

Monaco

CONSEIL DE L'ORDRE DES EXPERTS COMPTABLES DE
MONACO

Netherlands

KONINKLIJK NEDERLANDS INSTITUUT VAN
REGISTERACCOUNTANTS

Norway

DEN NORSKE REVISORFORENING

Poland

KIBR - NATIONAL CHAMBER OF STATUTORY AUDITORS

Portugal

ORDEM DOS REVISORES OFICIAIS DE CONTAS

Romania

CORPUL EXPERTILOR CONTABILI SI CONTABILILOR
AUTORIZATI DIN ROMANIA (*)

Slovak Republic

SLOVENSKA KOMORA AUDITOROV

Slovenia

SLOVENSKI INSTITUT ZA REVIZIJO (*)

Spain

INSTITUTO DE AUDITORES-CENSORES JURADOS DE
ESPAÑA

Sweden

FAR

Switzerland

TREUHAND-KAMMER
CHAMBRE FIDUCIAIRE

United Kingdom

THE ASSOCIATION OF CHARTERED CERTIFIED
ACCOUNTANTS
CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS
CHARTERED INSTITUTE OF PUBLIC FINANCE AND
ACCOUNTANCY
INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND
AND WALES
INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

FEE members are either Ordinary or Correspondent Members. The symbol: (*) denotes Correspondent Members, the rest are Ordinary Members.