



MARCH 2003

For a report on the FEE event "Challenges for the European Accounting Profession":

http://www.fee.be/secretariat/FEE_Event.htm

Profile: David Devlin

- Member of FEE since 1991
- Currently Chairman of the FEE Capital Markets Advisory Group and a member of the Ethics Working Party
- Prior to becoming FEE President represented Ireland on the FEE Council
- Member of the Supervisory Board of EFRAG

For more about the priorities of the new FEE President: *(see press release)*

<http://www.fee.be/secretariat/Pressreleases.htm>

Read the FEE Discussion Paper on Enforcement of IFRS within Europe:

<http://www.fee.be/publications/main.htm>
(section: Capital Markets)

"Challenges for the European Accounting Profession"



The event featured presentations from:

Paul Rutteman
EFRAG

Jaap Winter
EC Adviser

Göran Tidström
FEE

Henrik Bjerre-Nielsen
CESR

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140 people attended the FEE event "Challenges for the European Accounting Profession" held in Brussels on 19 December 2002. The successful event was combined with the FEE General Assembly. For more details visit:

http://www.fee.be/secretariat/FEE_Event.htm

3 new members officially joined FEE at the General Assembly.

See Page 4 for more details

FEE ELECTS NEW PRESIDENT



FEE President David Devlin at the General Assembly

On 19 December 2002, FEE General Assembly elected Mr. David Devlin as the new FEE President.

On his appointment, Mr. Devlin signalled that FEE's goal must be US recognition of European arrangements for corporate governance in the widest sense. Recognition of the equivalence of US and European approaches is central to restoring confidence in global capital markets. Weak capital markets are damaging to economic growth, prosperity and jobs, and also make it difficult for governments and companies to raise capital.

Mr. Devlin emphasised that financial reporting is at the heart

of the present crisis of confidence in global capital markets. He stressed that FEE will continue to demonstrate the profession's commitment to high quality financial reporting.

In his acceptance speech, Mr. Devlin also noted FEE priorities in addition to financial reporting, corporate governance and auditing issues. These include taxation, the public sector and sustainability. SME issues have a particular importance and will consistently be on the agenda of the FEE leadership.

ENFORCEMENT

"Timely delivery of our discussion paper on enforcement allowed FEE to make a significant contribution to the CESR consultation on its draft Statement of Principles on Enforcement.

As we work towards realisation of a single European capital market, this pro-active approach will be essential. It also allows the profession to demonstrate its integrity, expertise and relevance."

- FEE President David Devlin



FEE General Assembly, 19 Dec 2002

CONVERGENT ACCOUNTING PROFESSION ?

Survey identifies convergence in the education of accountants and auditors in Europe and on the conditions of admission to the profession.

FEE has announced the findings of a new survey that examines 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.

The survey of member bodies provides relevant information against the backdrop of a proposed directive reviewing the general system of recognition of professional qualifications, by the European Commission. In all, FEE's 41 member bodies, from 29 countries, have a combined membership of over 500,000 individuals.

Findings

The survey's main findings were that: the fundamental requirements necessary for admittance to the profession of accountant and auditor are largely convergent across Europe; and that the free movement of professionals across Europe is organised on the basis of an aptitude test which is generally restricted to the necessary knowledge of the local law.

8th Directive

Despite differences in the organisation of education programmes, in all countries surveyed there exists a combination of the three requirements of the Eighth EU Directive on Qualification of Statutory Auditors. The Directive calls for: an education programme; a period of practical experience; and a final examination.

Free Movement

The free movement for professionals between member states of the European Union is an objective of the Treaty of Rome. The survey shows that all EU Member States recognise professional qualifications acquired in the country of origin but require an additional aptitude test which, in most cases, is limited to the knowledge of local laws and regulations. FEE believes that the system is working

well and does not constitute an unnecessary barrier to free movement.

Comment

Welcoming the convergence of national conditions for entry to the accountancy profession, Mr. Lino de Vecchi, FEE Vice President and Chairman of the Liberalisation-Qualification Working Party noted that, "FEE has long supported the objective of free movement for professionals between member states of the EU."

He added that, "it is essential to ensure that all necessary safeguards apply to protect users of auditors' reports and more broadly the public interest. The current system equitably balances both concerns and should be maintained, as part of the proposals for a revision of the general system for recognition of professional qualifications."

References:

FEE Survey: Admission to the Profession of Accountant and Auditor

<http://www.fee.be/publications/main.htm>
(section: Lib/Qual)

Suggested further reading:

FEE Discussion Paper Liberalisation of the Accountancy Profession in Europe (1999)

<http://www.fee.be/publications/main.htm>
(section: Lib/Qual)

MUTUAL RECOGNITION

Under the current European Union mutual recognition arrangements, the accountancy profession as a whole falls under the General System, (under Directive 89/48/EEC), while the training of individuals to undertake statutory audit – an important aspect of the profession's activities where the public interest dimension of its activities is most acute – is regulated by the Eighth Directive. Statutory auditors, however, also fall under the General System for the purposes of free movement across the EU.

http://europa.eu.int/comm/internal_market/en/qualifications/index.htm

EQUIVALENT GOALS

The PCAOB's inflexible line on foreign auditor registration has raised the stakes in the ongoing debate between Europe and the US. Assuming the shared goals remain restoring confidence in high quality financial reporting, (and hence in capital markets), international solutions will be more effective than unilaterally imposed ones. Cooperation, not conflict remains key.

The European Commission (EC) is continuing to negotiate with US regulators concerning recognition of equivalence of Europe's capital market regulation systems and corporate governance in the widest sense, with that of the US.

The US approach (Sarbanes-Oxley Act) is in many ways similar to the

initiatives already under way or planned by the EC to complete the formation and regulation of the single capital market. Clearly, both the US and European authorities share the same broad policy objectives.

Therefore the goal must be for the EU and US authorities to reach agreement on the principle whereby

EU and US systems of law are shown to be of equivalent quality.

In this scenario, the agreement on the principles of equivalence would need to recognise that there are valid differences in national laws and regulations. There should be no question of the US authorities demanding identical methods of corporate governance or oversight.

FEE continues to support the key role of the European Commission throughout the negotiations. The discussions may also prove supportive of the EC's efforts with Member States to accelerate completion of the single capital market, with full effect on systems throughout Europe, as soon as possible.

SARBANES-OXLEY NEWS

References:

FEE Letter to SEC on Auditor Independence

FEE Letter to SEC on Audit Committees

<http://www.fee.be/secretariat/Positionpaper.htm>

PCAOB

<http://www.pcaobus.org>

CREDIBILITY OF SUSTAINABILITY REPORTING

New publication aims to drive awareness of independent assurance on sustainability reports, noting that non-assured reporting lacks credibility.

Key stakeholders increasingly use sustainability reports for their financial decision-making. The voluntary nature of sustainability reporting means that sustainability reports can vary widely in scope and content. If the relevance of non-financial reporting is to continue to grow, reporting companies must raise stakeholder confidence by demonstrating their desire to enhance the quality of their sustainability reporting.

Third party, independent assurance

provision is essential for the future credibility of sustainability reporting. Consequently, with the launch of its new publication, 'Benefits of Sustainability Assurance' FEE is calling on all companies issuing sustainability reports to also obtain independent assurance on the reports.

Advantages

FEE has strongly supported the development of sustainability reporting. The advantages are clear: it supports a prudent, long-term view; and facilitates a better understanding of non-financial risk. Also, sustainability reporting is seen as a factor that can differentiate companies in capital markets.

However the current lack of an agreed framework for sustainability reporting

restricts the comparability of reports and makes it particularly difficult to assess the completeness of the information provided and the balance, i.e. freedom from bias. And this fact is particularly relevant when currently more than half of all sustainability reports are issued without independent assurance.

Benefits of Assurance

On February 6th, FEE launched the publication, 'Benefits of Sustainability Assurance'. It is intended as an introduction to the topic of sustainability assurance. It clearly explains what is meant by the term assurance and why an organisation should commission an assurance engagement. The publication is non-technical in nature and is therefore capable of being understood by a wide audience.

Benefits of Sustainability Assurance complements a recent FEE discussion paper. Hence, those looking for more detail on the subject of sustainability assurance are encouraged to follow-up by reading the FEE Discussion Paper: Providing Assurance on Sustainability Reports (2002). Both publications are available to download free-of-charge from the FEE website.

What is "Assurance" ?

Assurance can be described as the provision of confidence or certainty by an independent assurance provider to a party or group of persons in relation to certain subject matters.

Above definition taken from: Benefits of Sustainability Assurance

AUDITING: OVERSIGHT OF PROFESSION

EUROPEAN AUDIT STRATEGY

Looking forward to the European Commission's forthcoming strategy paper, and noting the calls for independent oversight of the auditing profession, 2003 promises to be a year of major audit reform.

The accounting profession is eagerly awaiting the European Commission's communication, provisionally due to be published in May, detailing its strategy on auditing. It can be expected to build on the programme of constant improvement in place since 1996.

Independent oversight, conducted in the public interest, is the most visible reform needed. It is time for Europe as a whole to come together and develop an effective system.

Oversight should focus on audit quality. Quality assurance, investigation and disciplinary processes in the profession need to be considered. The public interest should be represented in the

oversight body through governmental approval of the arrangements and representation of interested stakeholders. Therefore, the profession also needs to be represented in the oversight body.

Oversight of the auditing profession will be most effective and robust if organised at Member State level. To guarantee equivalent quality of oversight throughout Europe, national arrangements should meet EU benchmarks, set by the European Commission in conjunction with the Member States, and coordinated at EU level. It would provide protection of the public interest (at least) equivalent to that being proposed in the US.

FEE SECRETARIAT

NEW STAFF

Chiara Pisano is to join the secretariat as FEE's Project Manager - Taxation & SMEs. Having previously worked in both public practice and in industry, she has much experience in auditing and taxation issues, gained while working in Italy and Belgium.

A qualified Italian chartered accountant and auditor, Chiara Pisano is trilingual: speaking Italian; French; and English. She will be primarily be working with FEE's Direct Taxation, Indirect Taxation and SME/SMP working parties.

Chiara Pisano replaces Maria Jose Barrado who left the FEE secretariat in January having completed 3 years as Project Manager. She has returned to a position in industry in her native Spain.

Download:
Benefits of
Sustainability
Assurance
&
Discussion Paper
Providing
Assurance on
Sustainability
Reports
[http://www.fee.be/
publications/
main.htm](http://www.fee.be/publications/main.htm)

Role of Accounting
and Auditing in
Europe (May 2002)
[http://www.fee.be/
secretariat/
Positionpaper.htm](http://www.fee.be/secretariat/Positionpaper.htm)

European
Commission
Auditing:
[http://europa.eu.int/
comm/internal_market/
en/company/audit/
index.htm](http://europa.eu.int/comm/internal_market/en/company/audit/index.htm)



ENLARGEMENT: THREE NEW MEMBER BODIES JOIN FEE



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)

Following hot on the heels of the agreement reached by European leaders on the enlargement of the EU at the recent Copenhagen summit, FEE has agreed upon its own enlargement.

On 19 December 2002, the FEE General Assembly formally approved three institutes as new members bodies. Which means that FEE, the representative organisation for the accountancy profession in Europe, now groups together 41 professional

bodies from 29 countries.

FEE has member bodies in 9 of the candidate countries for accession to the EU. FEE member bodies are present in: Bulgaria, Cyprus, Czech Republic, Hungary, Malta, Poland, Romania, Slovak Republic and Slovenia. In addition, a cooperation agreement was signed with Türmob, the Turkish Institute of Accountants.

FEE member bodies have a combined membership of over 500,000 individuals.

New members

The new FEE member bodies are from Bulgaria, Poland and Slovakia. The Bulgarian institute becomes a correspondent member of FEE. The Polish and Slovakian institutes become ordinary members of FEE.

Furthermore the former FEE correspondent members from the Czech Republic and Hungary have now become ordinary members.

Commenting on the enlargement of the European accounting profession's representative organisation, FEE President Mr. David Devlin said:

"I look forward to the active participation of the new Member Bodies in FEE. Their presence reminds us of the importance for FEE of the planned enlargement of the European Union. It is a clear signal of our desire to ensure a strong profession throughout Europe and it will deepen exchange of knowledge with the profession in the enlargement countries."



Mr. Kostov of the Institute of Certified Public Accountants in Bulgaria addresses the General Assembly

EUROPEAN Update

Please send comments and suggestions to:

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FEE GENERAL ASSEMBLY 2002

NEW FEE MEMBER BODIES:

Country	Name of Member Body	Status
Bulgaria	Institute of Certified Public Accountants in Bulgaria	Correspondent Member
Poland	KIBR - National Chamber of Statutory Auditors	Ordinary Member
Slovak Republic	Slovenska Komora Auditorov	Ordinary Member

FORMER CORRESPONDENT MEMBERS NOW ORDINARY MEMBERS:

Czech Republic	KACR - Komora Auditoru Ceske Republiky
Hungary	MKVK - Magyar Könyvvizsgálói Kamara

New FEE Members:

<http://www.fee.be/secretariat/Pressreleases.htm>

For a full listing of FEE Member Bodies:

<http://www.fee.be/members/countries.htm>