

CONGRESS DAILY

TUESDAY 9TH NOVEMBER 2010

 World Congress
of Accountants 2010

www.wcoa2010kualalumpur.com

ACCOUNTANTS' OLYMPICS OFFICIALLY OPENS



The World Congress of Accountants (WCOA) was officially opened by Minister in the Prime Minister's Department Tan Sri Nor Mohamed Yakcop in a ceremony fit for the 'Olympics of Accounting' yesterday.

A mammoth roll-call of 134 nations kick-started proceedings before the festivities turned to Malaysia's national anthem, a traditional 'Tarian Selamat Datang' dance and prayer.

Tan Sri Nor Mohamed Yakcop then entered the Kuala Lumpur Convention Centre, declaring the Congress open on behalf of the Prime Minister Datuk Seri Najib Tun Razak, who did not attend due to illness.

His speech stressed on the need for broader adoption of a single set of high quality, global accounting standards and Malaysia's efforts to achieve full convergence with the International Financial Reporting Standards (IFRS) by 1 January 2012.

"We are indeed pleased that such prominence has been given to Islamic Finance as it is in line with our efforts to position Malaysia as the premier international hub for Islamic Finance," Nor Mohamed said.

The welcome address by Malaysian Institute of Accountants (MIA) president Abdul Rahim Abdul Hamid, highlighted the theme of the Congress – Accountants: Sustaining Value Creation and its relevance in today's accounting industry.

"The theme of the Congress is consistent with the role of accountants to add value to the performance of an organisation. As value creation becomes important to the business agenda, more accountants are taking on strategic and leadership roles," Abdul Rahim said.

International Federation of Accountants (IFAC) chief executive Ian Ball said: "The accountancy profession continues to evolve. At this Congress, we will explore new opportunities and potential challenges and how we will meet them."

Supporting that notion, outgoing IFAC president Robert Bunting said it was more important than ever for delegates to learn from each other, exchange ideas and discuss best practices.

The WCOA is the largest international accountancy event and Kuala Lumpur is only the third Asian city to host it after Tokyo in 1987 and Hong Kong in 2002. It gathers leaders in accountancy, business and regulation to explore the latest issues and innovation in accounting.

The WCOA in Kuala Lumpur will be attended by more than 6,000 delegates. The Congress is being jointly organised by the MIA and IFAC. Today, the Congress begins with a plenary session 1, Accounting: Sustaining Value Creation in the Borderless Economy, before three rounds of concurrent sessions.

AGENDA

0900 – 1030:

Plenary Session 1:

- Accountants: Sustaining Value Creation in the Borderless Economy

1030 – 1100:

Morning Tea

1100 – 1230:

Concurrent Session 1

- International Financial Reporting Standards for Small and Medium Enterprises: Becoming a World-Class Player
- Developing the Profession Globally: The International Federation of Accountants Driving Force
- Human Governance: The Nucleus of Corporate Governance
- International Financial Reporting Standards Convergence: The Way Forward
- Corporate Reporting to Business Reporting – The Way Forward
- Strengthening the Accounting Profession in Emerging Economies
- Accounting Technicians – The Building Block of the Financial Reporting Chain

1230 – 1400:

Congress Lunch

1400 – 1530:

Concurrent Session 2

- Small and Medium Enterprise Financing in the Global Market – Is There Room for Improvement?
- International Auditing and Assurance Standards Board Agenda
- Enterprise Governance Framework – Can We Afford to Rock the Boat?
- Oversight Boards: The Global Experience and Learning
- Convergence: The Regulators' Perspective
- Fighting Corruption and Money Laundering – The Ongoing Battle for Accountants
- Shaping the Next Generation of Accountants

1530 – 1600:

Afternoon Tea

1600 – 1730:

Concurrent Session 3

- Capacity Building for Small and Medium Practices: The IFAC's Initiatives
- Public Sector Accounting: Overcoming the Issues and Challenges
- Risk Management & Internal Control – Does Compliance Cost Outweigh the Benefits
- The Essence of Audit Quality
- Quality Business Reporting for Decision Making – The Best Practices
- eXtensible Business Reporting Language – An Update
- Climate Change Reporting – Saving the Earth

NEWS AROUND WCOA

ACCOUNTANTS HAVE A KEY ROLE TO PLAY



Alex Malley and Mervyn King in conversation with Congress Daily

One of the core issues facing accountants today is the advisory role they can play in helping companies report on the impact of their operations on society – in other words, integrated reporting. Global Reporting Initiative chairman Prof Mervyn King is widely accepted as one of the champions of good corporate governance and sustainability. He wants accountants to take a lead role in the movement towards meaningful integrated reporting.

“What I expect to get out of [the WCOA] is an appreciation by the world’s leading accountants, some 6,000 of them, that they had a huge role to play in being advisors to companies to moving to integrated reporting. It’s a question of what impact operations of a company have on society and environment and financially,” King told Congress Daily.

“One can no longer just look at a company’s long term strategy but also sustainability issues which are pertinent to the business of the company. An example, is SAB Miller, the second biggest brewery in the world. As part of their long term strategic planning one of their new breweries will be a large ship at sea in which they will take on ocean water and desalinate it. It’s quite extraordinary thinking simply because of the fresh water crisis as water is a critical factor in making beer.

“This is where long term goal and it shows the institutional investor that here is a board committed to the long-term plans of its company. If you think you can carry on business as usual, I’m afraid you’re not planning properly.”

CPA Australia is the first financial organisation to produce a sustainability report. Chief executive Alex Malley wants to see accountants stepping up to the plate to become key resource advisers that can influence change and good starting point would be to tackle complexity within annual reports. “If you look at an annual report over a period of the last 20 years and you were to have locked it in a time capsule, it’s a wonderful example of where society is in this point of time,” Malley said.

“Gone is the cigar swilling chairman that sits at the front of the cover with all the power and control in the world. Now is a complex annual report that tries to factor in sustainability, non-financials and so on. We’re at that stage where we are over complicated and we need to sit back, re-think, re-adjust and simplify and respect our resources more. It’s about the leadership of that.”

Prof Mervyn King will take part in Plenary Session 3: *Accounting for Sustainability: The Integrated Reporting Framework* at 9am on Thursday. Alex Malley will take part in Plenary Session 4: *Accountants in the Next Decade – Embracing Change and Seizing Opportunities* at 11am on Thursday.

QUESTION OF THE DAY

WHAT ARE YOU LOOKING FORWARD TO THE MOST AT THE WORLD CONGRESS OF ACCOUNTANTS 2010?

I'm looking forward to the sessions focusing on small- and medium-sized practices. A lot of businesses in Iran are going public and we, as accountants, have to get acquainted with international practices for reporting and international standards to support these businesses.



AKBAR MONFARED, MD,
AKBAR MONFARED & Co,
IRAN

I'd like to meet with people from around the world to exchange ideas and network. I'm looking forward to Sir David Tweedie's presentation in the session on IFRS Convergence.



KENJIRO MATSUO,
JIIA INTERNATIONAL
COMMITTEE, THE JAPANESE
INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS,
JAPAN

I'd like to find out initiatives targeted at co-operatives, developments in international standards that we need to be aware of and the options in Islamic financing that would suit an organization such as ours.



SURESH KUMAR,
CHIEF FINANCIAL OFFICER,
NATIONAL CO-OPERATIVE
ORGANISATION OF MALAYSIA,
MALAYSIA

We have 500 delegates from Nigeria to the World Congress of Accountants 2010. Over the next few days, I hope that we will address issues around the global economic meltdown and come up with some resolutions as an industry moving forward. I am very keen to attend the talks around small- and medium-sized enterprises as they are the driving force for the economy.



JAMES OLUSEGON BABATOLA,
CONSULTANT, OWOYELE
SONTAN & Co,
NIGERIA

There are over 20 participants from our organization attending the World Congress of Accountants 2010. Personally, I would like to understand better the future of our profession in the light of the recent global financial crisis. There are many different approaches to accounting across the world and I hope that with a global conference such as this, it will help us understand each other better.



DR PROF BYCHKOVA
SVETLANA M.,
CHAIRMAN OF
INTERNATIONAL AFFAIRS
COMMITTEE, INSTITUTE
OF PROFESSIONAL
ACCOUNTANTS OF RUSSIA,
RUSSIA

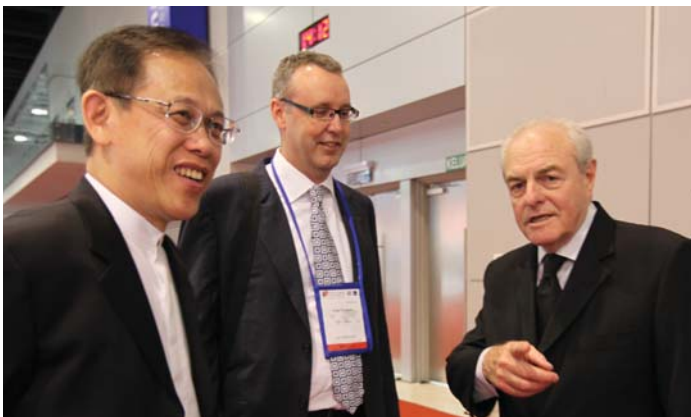
FAMOUS ACCOUNTANTS

- John Grisham, the famous American author of legal thrillers such as *The Firm*, *Pelican Brief*, *The Rainmaker* and *The Runaway Jury* received a Bachelor of Science degree in Accounting from Mississippi State University. He proceeded to study tax law upon graduation at the University of Mississippi School of Law
- Kenneth Bruce Gorelick, better known as Kenny G the famous Grammy winning saxophonist, graduated with a degree in Accounting from the University of Washington. He was earlier rejected as a music major from Central Washington University.

HOT SHOTS



Good times!



Low Weng Kiang, CPA Australia; Paul Wappett, CPA Australia; Mervyn King, Global Reporting Initiative



Robert L. Bunting, President of IFAC



Nor Mohamed and Abdul Rahim Abdul Hamid President MIA in rapt attention



Rene Ricol, French General Commissioner for Investment, receiving the IFAC Sempier Award from Robert Bunting



Robert Mednick, American Institute of Certified Public Accountants, receiving the IFAC Sempier Award



Delegates from Tunisia and Hong Kong



At the Exhibition Area



(l-r) Fatimah Abu Bakar, Ian L Rushby



Tsogzolmaa Sosor, Mongolian Accounting Institute, Mongolia



Tan Sri Nor Mohamed Yakcop, Minister in the Prime Minister's Department, addressing the delegates



6000 delegates from 134 countries attended the opening ceremony



(l-r) Robert Mednick, AICPA; Barry Melancon, AICPA; Robert Harris, AICPA; Charles Tilley, CIMA



(l-r) Per Hanstad, The Norwegian Institute of Public Accountants; Kelly Anerud, IFAC; Oddvar Snipsoyr, The Norwegian Institute of Public Accountants

FEATURE: AUDIT REFORM

Whenever a large scale corporate failure occurs one of the first organisations to be blamed, often unfairly, are the company's auditor.

Deep pocket syndrome is rife and although no large-scale lawsuits have managed to topple a global audit firm (Arthur Andersen's demise was down to reputational damage, not punitive damages), the threat is always there.

Following the recent global financial crisis, audit industry reform has been a hotly discussed issue and recently politicians have waded in with investigations and threats of reform.

Recently, the EC launched a Green Paper on Audit Policy: Lessons from the Crisis, which presented a wide range of ideas on how to improve the value of audit, independence concerns and market concentration.

In the UK, a House of Lords Economic Affairs Committee is probing the audit industry to see if it is in need of vital reform. While in India, the Institute of Chartered Accountants of India has made several recommendations to the government on ways to reform the audit industry, following the 2009 Satyam fraud.

These debates are happening across the world with proposals ranging from the sensible to the plain ridiculous.

The Congress Daily interviewed a few experts on three of the more topical suggestions – mandatory audit firm rotation, the provision of non-audit services and a proposal to tackle market concentration.

They all agree the value of audit can be improved but radical reforms could actually be counter-productive.

One of the most controversial ideas recently been put forward is the mandatory rotation of auditors, which the EC believes could improve objectivity and dynamism in the audit market. The Indian government is also considering this proposal.

"Audit rotation tends to lead to a more concentrated market as rotations are either among the big firms or they go from smaller to bigger ones and not the other way around," Ernst & Young EMEA public policy leader Jeremy Jennings said.

The EC proposes to ban audit firms from providing non-audit services, a model that is used in France, to provide greater independence.

PwC UK head of public policy and regulatory affairs believes that the current system used in the UK, a combination of assessing threats and installing safeguards against potential conflicts, works well as it means auditors have to use their principles rather than complying with rules, which can then be circumvented.

Wallace says auditors are the best people to provide certain non-audit services, such as advising on investment circulars during corporate transactions as well as some compliance tax work.

Wallace says to prove audit firms are acting in good faith, more transparency should be shed on the types of non-audit services provided by auditors and others in company annual reports. This will help the public understand where the money is spent, rather than it being lumped into the bucket of 'non-audit services'.

"The way that the audit fees versus non-audit fees is split at the moment is driven by law. The statutory audit is very clearly defined whilst anything else, whether it's related to the audit or not is just dumped into this non-audit fee number. I think there needs to be much more analysis by on the types of fees being provided. You will see a lot of stuff, which only the auditors could do."

The EC wants to address market concentration of the largest companies by tackling the contractual lending clauses, often imposed by banks, which prejudice the selection of Big Four auditors.

BDO global chief executive Jeremy Newman said this is a positive step forward. "I think the ban of Big Four only clauses would help encourage companies to use mid-tier firms as they are currently being encouraged not to do so by their bankers. It will also send out the message to the market that there is no need for Big Four only clauses," he said.

At the World Congress of Accountants, audit quality will be discussed at a 4pm concurrent session today.

WCOA SPOTLIGHT

We hope to meet public sector financial managers and leaders as that is our area of expertise and highlight our range of solutions that emphasis a whole system approach which is a new way of managing public finance around the world particularly in developing countries. There is a also a chance for those who visit our booth to win an iPad.



DREW CULLEN,
*DIRECTOR MARKETING
AND CORPORATE
COMMUNICATIONS,*
THE CHARTERED
INSTITUTE OF
PUBLIC FINANCE &
ACCOUNTANCY

BALBEER SINGH,
*VICE PRESIDENT
STRATEGIC
COMMUNICATIONS,*
ISKANDAR REGIONAL
DEVELOPMENT
AUTHORITY



This is our first time participating and we hope to promote the Iskandar Region - where you can work, live and play - to the delegates. One of the sectors that we want to develop is financial advisory and consulting and we hope to be able to reach out to the international market in a single event.

ICAEW is increasing its global presence significantly so I feel that this conference is an excellent opportunity to increase our presence regionally, reinforce our role in the global economy and reach out to our community that is spread out around the globe. We have great materials available at our booth, a special magazine supplement featuring the Southeast Asian market. We are also giving away thumb drives and there is a chance to win an iPad from us.



PAUL LAMBDEN,
*HEAD OF
INTERNATIONAL BRAND
AND MARKETING
STRATEGY,*
ICAEW

HICHAM EL-
MOUKAMMAL (CPA),
*MANAGING PARTNER,
PROFESSIONAL
AUDITORS*



We hope to have direct contact with those who are interested in the auditing, accounting, planning and financial consultancy. We have representatives from our different offices such as Lebanon and London to meet with the Congress delegates.

TRIVIA

The very first accountant is Father Luca Bartolomeo Pacioli (1446 – 1517), a Franciscan monk and world-class mathematician, wrote a book first describing the method of bookkeeping used by Venetian merchants. He recorded

the accounting method as a double-entry accounting system. While he did not invent book-keeping, he is widely acknowledged as the father of accounting. The book he wrote was illustrated by his close friend, Leonardo DaVinci.

SPONSOR CONTRIBUTION



Changes in the global economic and business environment have demanded that the accounting profession change accordingly.

While the core skills (financial accounting, management accounting, audit, etc) remain front and centre, a combination of changing business conditions and stakeholder expectations mean the scope and nature of accountancy must evolve as well.

Nowhere is this more evident than in the sphere of sustainability, or non-financial reporting.

A truly groundbreaking proposal was tabled at the GRI Sustainability Conference in Amsterdam earlier this year. The

INTEGRATED REPORTING IS THE FUTURE

proposition states that by 2020 there should be an applied international standard which would effectively integrate financial and sustainability reporting by all organisations.

In CPA Australia's view, this is a logical evolution of what is occurring in the wider realm of corporate reporting, combining in effect to capture and convey the full dimensions of corporate risk and worth.

"The accounting profession are strategic resource advisers. As the resource need becomes more intense and the range of resources becomes more broad, the skill of being a strategic resource adviser becomes the forefront issue for the profession," CPA Australia chief executive Alex Malley said.

The events witnessed in world markets and the global economy, highlight just how important it is to accurately and comprehensively capture and present business information.

Business now has a pivotal role in disentangling our society from the cumulative negative effects of past actions and embedding the new. Organisations will need to adjust how they allocate resources and identify and manage risk. And they will need to do this within appropriate domestic and international policy settings.

Accountants as the strategic resource managers of their respective organisations are therefore best placed to strategically embed sustainability practices and processes. It is an opportunity the profession must grasp.

"The profession needs to stand atop and embrace other skill sets in the resource management process, such as biodiversity experts, eco experts, and so on," Malley added. "They need to be part of the fraternity and we have to use our long term skills to better manage our annual report. This will provide a better reflection of the organisation."

News Digest

■ FRC appoints interim ASB chairman

The UK Financial Reporting Council has appointed Roger Marshall as interim chairman of the Accounting Standards Board (ASB). Marshall replaces Ian Mackintosh who was recently appointed vice-chairman of the International Accounting Standards Board. Marshall was previously a senior partner at PwC where he audited FTSE 100 companies across a variety of sectors. He was also chairman of PwC's Corporate Reporting Task Force in 2008-2009. Marshall was also previously a member of the ASB for six years until 2007. In May 2010, he was appointed to the Professional Oversight Board.

■ US professionals expect imminent IFRS decision

An overwhelming majority of finance professionals believe IFRS adoption could be completed by 2016 if the Securities and Exchange Commission (SEC) makes a decision to adopt the standards next year, according to a recent study by KPMG and Financial Executives International (FEI). Nearly half of the respondents believe an SEC decision will occur in 2011 and 75 percent said their organisations would not adopt IFRS until it is required. The survey, which gathered the thoughts of more than 900 accounting and finance executives, found there is still a distinct lack of knowledge about IFRS and organisations have not assessed how it will affect their companies.

■ E&Y appoints global climate change leader

Ernst & Young (E&Y) has appointed Juan Costa Climent as its global leader for climate change and sustainability services. In his new role, Costa Climent will lead a team of more than 700 staff in the climate change and sustainability sector of the firm's advisory, assurance, tax and transaction advisory services. Costa Climent was previously a member of parliament in Spain and held the position of Spanish Minister for Science, Technology and Industry until 2004. He has most recently led E&Y Spain's tax practice and has also been an advisor for the International Monetary Fund.