



Federation of European Accountants
Fédération des Experts-comptables Européens

2009 Annual Review



Standing for trust and integrity



FEE (Fédération des Experts-comptables Européens - Federation of European Accountants) represents 43 professional institutes of accountants and auditors from 32 European countries, including all 27 EU Member States. In representing the profession, FEE recognises the public interest. FEE has a combined membership of more than 500.000 professional accountants working in different capacities in public practice, small and larger firms, business, public sector and education, who all contribute to a more efficient, transparent and sustainable European economy.





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An interview of the President

Despite the predicted slowdown in EU business in a year of change for the European Union's institutions, 2009 was a very busy year for both European policy-makers and for FEE. In this interview, President Hans van Damme and Chief Executive Olivier Boutellis-Taft explain why.



As the storm clouds gathered over Europe's economy in 2009, FEE actively contributed to the debate on a wide range of issues with significant implications for its members, from the drive for global accounting standards and other proposed new financial regulations to the broader challenges facing Europe's economy and the EU's role in the fight against climate change.

Hans van Damme believes that FEE and the accountancy profession as a whole have a valuable contribution to make to the policy-making debate on all these issues. "The members' work in practice, in the public sector, as well as in many enterprises, and the wealth of information this generates,

provide lessons about the best routes to sustainable recovery. This puts us in a unique position to inform and support the policy-making process with credible information and reliable feedback on what works and what doesn't in practice – and that is exactly what we have been doing and will continue to do."

Olivier Boutellis agrees that the key role played by FEE members in Europe's economy brings genuine added value to the EU debate. "Their technical expertise, on-the-ground experience and the different perspectives they bring from different countries combine to provide an informed pan-European perspective on the key issues facing the European Union" he says.

That was the thinking behind the FEE Strategy Paper published on the eve of the Barroso II Commission which identified seven key objectives for the next five years – the organisation's contribution to the debate over how to move towards a truly sustainable economy, restore confidence, seize new opportunities, ensure European competitiveness and restore public finances; this last point, which is of key importance, was also discussed in our strategy paper and in this annual review.

Key focuses of FEE's activities in 2009 included continuing to promote the adoption of International Standards on Auditing (ISAs); the work done by various FEE Working Parties on the financial crisis, going beyond the issue of financial reporting to look at the whole development of regulation and supervision; and the growing focus on sustainability issues, as well as on the public sector in Europe.

It was also a year in which the long-term challenges facing the accountancy profession moved into sharper focus. So what does the profession need to do to respond to those challenges? "To deliver on our strategic agenda, enhance the future of the profession and increase its relevance, we must think ahead – and be prepared to reconsider our 'sacred cows'" says Olivier.

Hans agrees. "Everything is changing around us – market dynamics, regulation, policy-making and institutions, society and the environment.

This means that we need to be more pro-active, anticipating and shaping change."

This need to think and look some ten years ahead was, at Hans' initiative, a central theme of the discussions at the FEE Presidents' meeting in Lisbon in 2009, and a task force will examine this in more depth. "We are trying to build on this by reflecting on issues that are not today's problems, but will be important in the long term – and by considering how to create a willingness to do this not just at the European level but also more widely" explains Hans.

FEE firmly believes that "global problems require global solutions", which is why one of its key messages over the past year has been to emphasise the need for policy-makers to "join forces to produce balanced, consistent and robust outcomes."

Why is FEE so convinced that "global solutions" are necessary? "Climate change, financial crises and investment do not stop at borders" explains Olivier. "Governments must realise that they are now interdependent and that they have to come together to find and coordinate solutions." But he admits to concerns about whether this will happen, adding: "Nationalism and protectionism remain a threat. Some may see this as an easy way out, but they will soon realise that in fact it will cause more problems than it solves."

This threat could have significant implications for the drive to agree the international accounting and auditing standards that are vital to improve transparency and comparability – issues of key importance for businesses and for investors. "Global accounting standards are essential in today's global markets and these could be threatened by nationalism and protectionism. We should be on our guard against this" warns Hans. "The G-20 was right to call for a single set of high-quality global financial reporting standards, but time is running out. The most difficult issues are now coming onto the table and are triggering fierce debate."



But he cautions against viewing all opposition to proposed new global rules as 'disguised' protectionism. "We need to discuss these issues amongst ourselves and get a better understanding of what lies behind resistance to the proposals, instead of jumping to conclusions" he says.

That is one of the reasons why FEE's contribution to the debate over how to respond to the financial and economic crises is so important. "We provide a platform for discussing these issues and forging consensus" explains Hans. "Sometimes we put things down to protectionism a bit too quickly, when in fact they reflect sensitivities or misunderstandings based on cultural differences. We need to engage in open discussions, without making certain assumptions from the start, and our Member Bodies provide valuable input into this debate."



and CEO of FEE

This is also one of the reasons why dialogue with other stakeholders – not just policy-makers but also business, investors, bankers, employees and other pan-European organisations and NGOs – is essential, to gain a better understanding of the views of others and to work together where possible to shape policy responses to common challenges.

“It is essential that we look outwards rather than inwards and engage with other stakeholders” stresses Hans. “Accountancy is a service profession and we have a duty to recognise the public interest in servicing our clients. It is vital that we speak not only to the institutions, but also to other representative organisations here in Brussels. We must have an open approach to developments in the world around us.”



One example of an area where Olivier believes such dialogue is essential is in the debate over sustainability. “We need to raise awareness of this issue and equip our profession to contribute to this debate, and seize the opportunities offered by the drive for ‘smart green growth’, and dialogue with NGOs, business, investors, etc. is a crucial part of this” he insists.

Hans also points to the joint paper FEE produced with BUSINESSEUROPE, the European Banking Federation and other stakeholders in the financial sector on the road to future recovery and governance issues as an example of the benefits of such dialogue. “Working and cooperating with other organisations on broader issues makes us better able to project the interests of the accountancy profession within the economy as a whole” he says.

FEE also emphasises the important role that small and medium-sized enterprises and small practitioners play in Europe’s economy, and their particular needs and problems, and will continue to focus on this strategic priority over the coming year.

Hans explains why. “An overwhelming majority of enterprises are SMEs and they are serviced by the profession, predominantly by small practitioners – but not only. Enhancing their efficiency, simplifying their lives, enabling them to grow and seize opportunities on the largest possible marketplace is therefore in the direct interest of the EU economy and of our profession” he says. “Among the developments affecting SMEs and SMPs are the moves to increase the thresholds for audit requirements in many countries, raising the prospect that more SMEs will be exempted from those requirements in future. This will mean a greater focus in the accountancy profession on responding to clients’ new demands rather than on performing statutory audits.”

Olivier agrees. “I firmly reject the argument that the profession benefits from complexity. Better, simpler regulation is, in the longer run, conducive to growth and innovation. If our members’ clients grow, everybody will benefit from this” he insists.

Another key focus of FEE’s work in both 2009 and 2010 relates to the growing question marks over the sustainability of the public sector.

“The public sector accounts for a huge share of the European economy and has a responsibility to embed sustainability in their practices and build sustainable public finances” says Olivier.

Hans points out that FEE has been working on public sector issues for many years and underlines the importance of continuing this work. The transparency and governance of the public sector become even more important in the light of the increased size of the public sector in the aftermath of the financial crisis and emerging issues such as sovereign debt and pensions, to mention just a few. “I come from a true and fair view culture underpinned by accrual accounting and sometimes find that the current system of public sector financial reporting is not disclosing valuable and necessary information. We can contribute to the debate on how to improve that.”

Looking ahead, and considering the myriad challenges facing the EU as a whole and the accountancy profession itself, both men stress the need to focus on the key issues of greatest importance.

“We have to be selective” says Hans. “That is the most difficult task we face, as we cannot do everything on our members and working parties’ wishlists. Although we are blessed with great volunteers in the working parties – thanks to the willingness of our members to make people available with the necessary expertise, knowledge and availability – we need to focus on a limited number of issues and objectives to maximise our impact in the areas which matter most to our profession.”

Olivier also emphasises the need to “make the right choices” when deciding what to work on. “We have a tendency to focus on the present and on reacting to developments. But it is more productive to anticipate future trends and, while being prepared to tackle threats, also be ready to seize the opportunities of tomorrow” he says. “We have excellent resources, high-calibre people and very strong contributions from our Member Bodies. Now we need to reflect further on how best to use these resources for the future of the profession.”

Hans echoes this, paying tribute to the work of FEE’s member organisations in its working parties and to the staff of the FEE Secretariat: “Olivier and I have invested some of our time and energy on enhancing our administrative capacity to ensure that FEE is best placed to address future challenges” he explains. “We wanted to have a proactive, forward-looking FEE: we embraced issues such as XBRL or alternative assurance services which will be key to the profession’s future; long-standing efforts in support of global standards in auditing and financial reporting should now translate into actions; and at the 2009 Presidents’ meeting in Lisbon, we launched a strategic debate on the future of the profession.”

“I started my mandate highlighting the need for fresh blood. I am proud to say that we have a great platform to build on and I am grateful to the team that has greatly contributed to our mutual success.”



The past twelve months have brought significant changes in the diverse range of activities in which the profession is engaged. Important developments have taken place in many areas. However, 2009 has undoubtedly been dominated by the global financial crisis. Its impact will have a long-lasting legacy on the future regulation and supervision of the financial sector.

Financial and economic downturn and regulatory upturn

FEE had proactively already published three policy statements regarding the financial crisis prior to commenting on EU initiatives. FEE provided the profession's reflections on how to anticipate a repeat of inter-connected vulnerabilities which were revealed by the crisis, including the assessment of risk and the complexity of structured financial products. On the ground, professional accountants have helped private and public sector entities mitigate the effects of the crisis.

The G-20 called on accounting standard setters to take action. FEE contributed to the global debate on fair value and accounting for financial instruments related issues. It argued that financial reporting based on IFRS, and notably

fair value accounting for financial instruments, had revealed the economic reality of market participants' positions at an earlier stage than otherwise would have been the case under a historical cost model. The profession equally recognised that fair value accounting could be difficult to apply in practice, especially in illiquid markets where significant judgments were

needed to arrive at consistent valuation in difficult market circumstances. Clearly, preparers would benefit from additional guidance on the application of fair value measurements when observable market prices are not available; FEE welcomed the related various IASB pronouncements.

On 7 July, the ECOFIN¹ called for counter-cyclical buffers and reiterated the call on standard setters to allow for more flexibility in the provisioning of expected losses. FEE explained that the role of financial reporting in relation to financial stability and restoring market confidence is aimed at providing transparency and a true and fair view on financial performance and positions; this fundamental objective must be preserved, however inconvenient the message about economic reality may be in the short term.

Time to work toward stability and sustainability

The de Larosière report and the European Commission emphasised that the financial crisis highlighted weaknesses in the EU's supervisory framework

which remained too fragmented along national lines. Draft legislation was proposed to reinforce the supervisory architecture.

The European Systemic Risk Board (ESRB) will monitor and assess risks to the stability of the financial system as a whole. The European System of Financial Supervisors (ESFS) will supervise individual financial institutions. The ESFS will consist of a network of national financial supervisors working in tandem with three European supervisory authorities for banking, insurance and securities. These new bodies will replace the existing committees and will have additional powers.

In a policy statement of July 2009, FEE analysed the relation between the financial crisis and the sustainability agenda, concluding that the crisis illustrates the failure of markets to acknowledge that short-term thinking can lead to substantial legacy problems in the long term; it called on business and policymakers to seize the opportunity to shape a sustainable economy.

Enhancing transparency and sound reporting

The European Commission started the year acknowledging the key role EFRAG plays in proactively representing European interests in the standard setting process at international level. As from 2010, the EU will provide 50% of EFRAG's funding; however, a continued effort from the private sector will remain instrumental. This recognition confirms the foresight of FEE and the other founding fathers of EFRAG back in 2001 to ensure that Europe plays a leading role in global financial reporting developments. EFRAG's structure has also been enhanced and Pedro Solbes, former European Commissioner and Spanish Finance Minister, joined as Chair of the Board.

The IASCF, the trustees overseeing the IASB, completed its constitutional review (part I). The European Commissioner for Internal Market will be a member of the newly established Monitoring Board. The second part of the constitutional review was launched, to which FEE contributed actively.

An ever increasing number of countries around the world made steps toward the adoption of IFRSs. At its Pittsburgh meeting (24 September), the G-20 supported this move calling on standard setters to complete their convergence project by June 2011 and to achieve a single set of high-quality, global accounting standards. In November, FASB and IASB reaffirmed their commitment to finalise their Memorandum of Understanding on convergence by the end of 2011. FEE issued a policy statement recommending the development of truly global standards and the mobilisation of the best expertise from around the world to work together on new global solutions in those areas that really matter to investors.

Due to the financial crisis, replacing IAS 39 on financial instruments was seen as an absolute priority in 2009. The IASB Chairman discussed the issue in June with the ECOFIN and in July, the IASB published proposals to replace IAS 39 in three phases: classification and measurement; impairment methodology; and hedge accounting. IFRS 9 on classification and measurement was issued in November. Despite previously well publicised concerns, as the Member States failed to reach agreement in the Accounting Regulatory Committee meeting of 11 November; in the end, the Commission decided not to pursue an accelerated endorsement of IFRS 9.



FEE-ACCA Pension Accounting Seminar: Gilbert Gélard, IASB Member; Mark Vaessen, Chair FEE Financial Reporting Policy Group; Professor Donna Street, University of Dayton; Jan Fasshauer, University of Giessen; Olivier Boutellis-Taft

¹ EU's Economic and Financial Affairs Council of Ministers

policy developments

Proposals to simplify the EU Accounting Directives continued to be much debated. In February, the Commission published a proposal to grant Member States the option to exempt so-called micro-entities from the accounting Directives whilst a consultation on further amendments to these Directives was also launched. Whereas FEE recognises and supports the need for simplification, it also shares some of the views expressed by a number of important stakeholders who have expressed doubts as to whether the proposal on 'micro-entities' is fit for purpose. Member States also remain divided on the issue.



FEE Roundtable on the Public Sector and Sustainability: Richard Howitt, MEP; Paul Druckman, Chair FEE Sustainability Policy Group; Hans van Damme

When responding to the consultation, FEE strongly advocated a holistic approach leading to a comprehensive and consistent revision of the Directives rather than continual piecemeal amendments. Most respondents to the consultation referred to the important role played by financial reporting and there was broad support for modernisation.

In July 2009, the IASB published its long awaited IFRS for SMEs that was welcomed in many parts of the globe.

Reinforcing markets' integrity, reliability and confidence

The adoption of ISAs (International Standards on Auditing) in the EU gained a great deal of momentum in 2009. FEE has been a long-term supporter of this initiative and has been encouraging the Commission to start the approval process, further to the Statutory Audit Directive. This support echoed a previous Resolution of the European Parliament which supported the adoption of ISAs by the European Commission².

At the beginning of the year, IFAC completed its Clarity Project and launched an online 'Clarity Center' providing education and guidance material.

FEE hosted a meeting of European National Auditing Standard Setters to consider national plans for translation, adoption and implementation of the clarified ISAs. The European Commission, IAASB and CESR were involved in the meeting. Echoing the important work performed by the FEE ISA Implementation Task Force, specific matters relating to SMEs and SMPs were also discussed during the meeting.

In June, the European Commission launched a public consultation on the adoption of the ISAs in the EU. Responding, FEE noted that the use of harmonised international standards on auditing will increase audit quality and enhance confidence in the reliability, comparability and consistency of financial statements in the EU, as well as the acceptance of audit reports beyond their home jurisdictions whether within or outside the EU.

In the ongoing debate on international cooperation, the Commission published a draft decision confirming the adequacy of the competent authorities of Canada, Japan and Switzerland regarding the transfer of audit

working papers. However the Decision does not cover the US-PCAOB, as Commissioner McCreevy had previously signalled that "we need more time to ensure that the United States, in particular, are ready to cooperate with us fully, based upon mutual trust and mutual assistance."

European policymakers have been increasing the pressure on Member States to finalise the implementation and enforcement of the Statutory Audit Directive due by 29 June 2008. In January, the European Parliament Report by MEP Bert Doorn also deplored "the fact that only 12 Member States have transposed the Directive in full" and urged the Commission to move forward with the public consultation on adoption of ISAs. Since then the situation improved: the European Commission reported that as of November 2009, 21 Member States had fully transposed the Statutory Audit Directive.

The crisis has also stimulated further discussion on ethics in business. FEE believes that integrity is the core principle of ethical professional behaviour. It published a Discussion Paper to engage with interested stakeholders and stimulate the debate and better understand and promote what behaving with integrity in a professional and business context means.

In September 2009 in a paper entitled "7 key objectives for 5 decisive years", FEE highlighted the objectives which it believes should be pursued by the European Institutions during this legislature to contribute to restoring confidence, opportunities, competitiveness and public finance and drive the necessary behavioural change toward a sustainable model.

Standing for trust and integrity

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7 key objectives for 5 decisive years

The contribution of the European accountancy profession

The next five years will be decisive to shift to a truly sustainable economy, restore confidence, opportunities, competitiveness and public finance. To this end, markets will remain instrumental to enhance prosperity and innovation, allocate resources efficiently and drive the necessary behavioural change toward a sustainable model.

FEE, Fédération des Experts comptables Européens – Federation of European Accountants, believes the accountancy profession, building on its values and expertise, has a genuine contribution to make. On this basis, FEE would like to highlight 7 key objectives which we believe, if persistently pursued by the European Institutions during this legislature, will contribute to fostering economic recovery and sustainability:

- ONE**
Making the Internal Market a reality
- TWO**
Think small first for SMEs: green and global too
- THREE**
Promoting transparency through high-quality financial reporting and global standards
- FOUR**
Fostering trust and integrity through auditing
- FIVE**
Improving corporate governance and company law
- SIX**
Ensuring better regulation and better financial supervision
- SEVEN**
Integrating sustainability at the heart of policymaking, society and markets

About FEE and its contribution

FEE represents the accountancy profession in all EU Member States. It groups 43 professional Institutes of professional accountants and auditors from 32 European countries. In representing the profession, FEE recognises the public interest.

FEE has a combined membership of more than 500,000 professional accountants working in different capacities in public practice (large, mid-sized and small accountancy firms), business (enterprises of all sizes), government and the public sector as well as in education, who all contribute to a more efficient, transparent, and sustainable European economy. In addition to FEE, specific interests, such as that of accountancy firms, are also promoted by organisations with a defined focus¹. FEE is registered in the European Commission's Register of Interest Representatives and accredited to the European Parliament.

FEE has specific expertise and working parties with practitioners from all around Europe in many fields of relevance to EU policies, in particular: financial reporting, auditing, corporate governance, SME policy, capital markets, banking and insurance, taxation, public sector, qualification and market access and sustainability.

Professional accountants play an instrumental role in providing reliable financial and business information – which is essential to make markets function properly. Moreover, the accountancy profession is a profession of values with a strong ethical commitment: professional accountants are bound by the Code of Ethics of the International Federation of Accountants (IFAC); for instance, as a result, they cannot be associated with information that contains materially false or misleading statement or information furnished recklessly.

FEE is therefore in a unique position to inform the policy process and to respond to MEPs' needs for trusted information and reliable feedback on what works and what doesn't in practice in all relevant fields.

For instance, the European Contact Group (ECG) is an informal grouping of the six largest accounting networks in the European Union, and the European Group of International Accounting Networks and Associations (EGIAN) is a forum of middle-sized accounting networks and associations made up of 24 global organisations which offer audit, accounting and business advisory services.

² Report on implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (2008/2247(INI)), Bert Doorn, Committee on Legal Affairs, A6-0014/2009

Small and Medium-Sized and Small and Medium-Sized

A majority of the members of FEE Member Bodies are servicing SMEs and/or are active in smaller practices. A lot of accountancy firms are SMEs themselves. In many countries, professional accountants are a prime source of advice and outsourcing; many professionals are also employed in SMEs and contribute to their growth as accountants or tax professionals; they can also be leaders and entrepreneurs themselves. In all these capacities, professional accountants bring their expertise, knowledge and values to business and society and contribute to a more efficient, transparent, and sustainable European economy.

FEE operates a specialised SME-SMP Working Party (page 32), but FEE's contribution to SME and SMP issues is far broader and is integrated in the work of many working parties and taken into account in many initiatives. This is illustrated by the examples below which demonstrate the concrete commitment of FEE to Small and Medium-Sized Enterprises and Small and Medium-Sized Practitioners.

● Accounting for SMEs

In its September 2009 strategy paper to the European Institutions, 7 key objectives for 5 decisive years, FEE puts on top of its priority list two key objectives that are instrumental for SMEs: "Making the Internal Market a reality" and "Think small first for SMEs, green and global too".

The FEE SME-SMP Working Party, the Financial Reporting Policy Group and the Accounting Working Party all engaged heavily in this debate, commenting notably on the reform of the EU Accounting Directives and on how to modernise and simplify financial reporting for SMEs. To meet the needs of SMEs, FEE promoted the "think small first" principle, a reduction of the number of options in the Directives and a holistic "bottom up" approach. It outlined that a reduction of administrative burdens can only be achieved if appropriate changes are implemented by the Member States. FEE delegates also contributed to the EFRAG SME Working Group.

In 2009, the IASB published its long-awaited standard on IFRS for Small and Medium-sized Entities. This standard intends to meet user needs while balancing costs and benefits from a preparer perspective. The IASB has developed this standard for use by non-listed entities in response to requests they received. The European Commission has launched a public consultation to ascertain EU stakeholders' views. A cross-section of FEE Working Parties has contributed to FEE's comments on this matter which is of key relevance to SMEs worldwide.



José María Bové, FEE Vice-President, member of EFRAG SME Working Group, former longstanding Chair FEE SME-SMP Working Party, now chaired by Gérard Varona

● Assurance services for SMEs

The provision of assurance services by an independent professional accountant increases the degree of confidence of users in financial and other information, a key factor in ensuring confidence in capital markets.

The increases in audit exemption thresholds over the last few years in a number of European countries have exacerbated the need for alternative services for SMEs. In July 2009, FEE published a survey on alternative assurance and related services across Europe.

Alternative assurance and related services are basically all services offered to entities other than an audit of their financial statements. A number of such services have a longstanding tradition, but most result from more recent initiatives taken in European jurisdictions.

The study demonstrated the diversity of services provided across Europe in response to clients needs. FEE encouraged the IAASB to consider the results of this survey for the expected revision of its assurance and related standards, especially on review and compilation engagements. Philip Johnson, FEE Deputy President and Chairman of the Auditing Working Party commented that "if no urgent action is taken, the risk of fragmentation in relation to the development and provision of alternative assurance and assurance-related services between European countries will increase".



IFAC-FEE Practitioner's Symposium

● Sustainability: opportunities for SMEs

FEE believes that accountants have a role and a responsibility in helping small enterprises achieve long-term prosperity.

SMEs are essential to entrepreneurship and innovation. Many SMEs are already successfully contributing to "greening" our economy while reaping substantial business benefits, but more awareness is still required. In a policy statement jointly developed by the SME-SMP Working Party and the Sustainability Group, FEE shows that there are various aspects of sustainability that small enterprises can take into account, which can bring strong benefits without necessarily requiring great change.

Accountants are a valuable resource which can help translate the multitude of available information on sustainability into practical business suggestions. FEE called on the professional practice community to enhance sustainable thinking in small enterprises by developing and promoting sustainable services and products for these clients.



Gérard Varona, Chair FEE SME-SMP Working Party; Hans van Damme; Paul Druckman, Chair FEE Sustainability Policy Group

Enterprises (SMEs) Practitioners (SMPs): a key priority



● International Standards on Auditing

FEE started to lead the debate on the adoption of International Standards on Auditing (ISAs) for all audits in Europe over a decade ago. It always did so with great care for the impact of these standards on SMEs and SMPs.

During the clarity project of the IAASB, the FEE Auditing Working Party, in charge of developing FEE's comments, regularly consulted with the SME-SMP Working Party.

In 2009, FEE focused on furthering the discussions in relation to ISAs as follows:

- In January 2009, FEE co-organised with IFAC a Practitioners Symposium kindly hosted by the IDW and the WPK in Berlin during which the IAASB Chair updated participants on the work of the Board with a specific focus on SME and SMP issues.
- The FEE Council held several discussions on the proportionality of ISAs and invited the Chair of the IAASB to join one of its discussions on the topic.
- In a policy statement of April, FEE referred to concerns about the applicability and relevance of ISAs for SMEs, explaining that the audit approach can be tailored to respond to the auditing needs in an SME environment.
- The FEE Council decided to start work within the Auditing Working Party on the implementation of clarified ISAs and set up the ISA Implementation Task Force.

● Contributing to making taxation simple and fair for SMEs

SMEs call heavily upon their professional accountants to advise them on a large array of business matters; taxation is often very high on the list and many smaller practitioners are active in the fields of direct and indirect taxation.

As in other areas of activity, the values of the profession and the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants underpin their work. The professional advice they provide to SMEs contributes to making taxation more simple, fair and coordinated. This was the theme of a FEE high-level conference organised in 2009 which was attended by more than 200 participants, including many SMPs. European Commissioner László Kovács gave the keynote address.



Commissioner László Kovács

● Helping SMPs embrace new technologies and enhance business reporting

To advance its work on XBRL, FEE has set up a dedicated task force on XBRL including practising auditors and accountants as well as members with specific expertise; the task force also comprised a number of SMPs. Although the use of XBRL, a computer-based language for the electronic communication of business information, is currently not legislated on a European level, more and more European countries take national initiatives to mandate the use of XBRL for filing financial statements, tax returns, statistical or other data for all entities, whether large or small. Certain countries have actually started imposing the use of XBRL to smaller entities, giving more time to listed entities. As the first point of call for assistance in these areas is usually directed to the accountant of the entity, oftentimes an SMP, FEE has issued in December 2009 a "Policy Statement on eXtensible Business Reporting Language (XBRL) - The impact on accountants and auditors". It explains what XBRL is all about and raises awareness on implications, practical consequences, benefits and challenges for SMPs as statutory auditors and professional accountants of entities filing XBRL enabled business information.

● The FEE SME Advisory Panel

To engage with stakeholders, ensure its views are challenged and to seek further practical advice on SMEs policy issues, FEE decided in 2008 to set up the FEE SME Advisory Panel.

The FEE SME Advisory Panel is a group of high-level leaders of SMEs and trade associations across Europe. The Panel provides further opportunities to exchange views and meet with top policy makers, as well as contribute to shaping the approach of the European accountancy profession by providing strategic advice and direct stakeholder input to FEE.

The Panel's recommendations are regularly considered by the FEE SME-SMP Working Party. Accounting and auditing are naturally permanent items on the agenda: for instance, the Panel Members contributed views from an SME perspective on the review of the EU Accounting Directives and on the potential adverse impact of the Proposal for an exemption of micro-entities.

● The future of SMPs

The FEE President decided to focus the 2009 meeting of the Presidents of FEE Member Bodies on the future of the profession and to dedicate a substantial part of the strategic discussion to SME and SMP issues. The discussion proved him right as it showed that Presidents believed that SMEs-SMPs should be FEE number one priority. A significant proportion of Members called on FEE to reflect on and develop new means to integrate the views and interests of SMPs across all activities and working parties of FEE. As a result, the December FEE Executive decided to undertake a strategic review of its SME-SMP activities in 2010.



Professor Christoph Spengel,
University of Mannheim



Introducing FEE

FEE is the Fédération des Experts-comptables Européens – Federation of European Accountants. It represents 43 professional institutes of accountants and auditors from 32 European countries, including all of the 27 EU Member States. In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 500.000 qualified accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy.

FEE is an international not-for-profit organisation based in Brussels and governed by Belgian Law (AISBL), officially recognised by a Royal Decree of the Belgian King published on 20 January 1987. It represents the European accountancy profession toward the EU Institutions and other international organisations. It is also a Regional Organisation, member of IFAC, the International Federation of Accountants.

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One of FEE's main objectives is monitoring and contributing to professional, regulatory and public policy developments relating to its fields of interest and expertise. It coordinates cooperation between its Member Bodies, ensures their timely information and offers leadership in representing the profession.

For the past 20 years, FEE has supported progress and constant adaptation of the profession to an ever rapidly changing world, while continuously promoting the fundamental values of the profession – integrity, objectivity, independence, professionalism, competence and confidentiality. Over these years, professional accountants are proud to have contributed to the development of the Internal Market for consumers and business, both for the listed entities and for millions of small and medium-sized enterprises that qualified accountants assist daily.

This day-to-day involvement of practitioners in fieldwork also nurtures the feedback that FEE provides to European policymakers through a constructive dialogue, thus contributing to making policies more efficient and practicable. FEE will continue to represent qualified accountants from all European countries, all sectors and all firms, and help them cooperate, reflect and innovate to fulfil market needs and serve the public interest.

 Institut Österreichischer Wirtschaftsprüfer Austria Founded in 1952	 KAMMER DER WIRTSCHAFTSTREUHÄNDER Austria Founded in 1947	 IBR - IRE Belgium Founded in 1953	 Belgium Founded in 1985	 Bulgaria Founded in 1991
 Cyprus Founded in 1961	 KAMMERA AUDITORŮ ČESKÉ REPUBLIKY Czech Republic Founded in 1993	 Denmark Founded in 1912	Audiitorkogu Estonia Founded in 1999	 Finland Founded in 1951
 Finland Founded in 1925	 France Founded in 1969	 France Founded in 1962	 France Founded in 1945	 INSTITUT DER WIRTSCHAFTSPRÜFER Germany Founded in 1932
 Greece Founded in 1955	 Magyar Könyvvizsgáló Kamara Hungary Founded in 1997	 Félagið gættir endurskipandi Iceland Founded in 1953	 Certified Public Accountants Ireland Founded in 1943	 Chartered Accountants Ireland Ireland Founded in 1888

General Assembly

Standing for trust and integrity

The FEE General Assembly consists of all the Member Bodies of the Federation.

It elects the President and the Deputy President who, in principle, will succeed to the President at the end of his or her term of office. The Deputy President replaces the President in his or her absence. The President chairs meetings of the General Assembly, the Council and the Executive.

The General Assembly approves the level of expenditures and annual accounts, adopts decisions on constitutional matters, membership or issues referred to it by Council.

The General Assembly receives the activity report of the President and the Treasurer.

At its last meeting on 18 December 2008, the leaders of the 43 accountancy professional bodies from 32 European countries unanimously elected Hans van Damme (NL) as FEE President and Philip Johnson (UK) as FEE Deputy President for a two-year term (their biographies can be found on the FEE website).

At this occasion, the Lithuanian Chamber of Auditors (Lietuvos Auditorių Rūmai, LAR) was unanimously admitted as an ordinary member of the Federation from 1 January 2009 onwards.

The FEE General Assembly takes place every other year. The next General Assembly will take place on 16 December 2010.



Israel
Founded in 1931



Italy
Founded in 1953/2008



Latvia
Founded in 1994



Lithuania
Founded in 2000



Luxembourg
Founded in 1984



Luxembourg
Founded in 2000



Malta
Founded in 1942



Monaco
Founded in 1945



Netherlands
Founded in 1895



Norway
Founded in 1930



Poland
Founded in 1992



Portugal
Founded in 1974



Romania
Founded in 1992



Slovak Republic
Founded in 1992



Slovenia
Founded in 1993



Spain
Founded in 1942



Sweden
Founded in 1899



Switzerland
Founded in 1925



United Kingdom
Founded in 1904



United Kingdom
Founded in 1919



United Kingdom
Founded in 1885



United Kingdom
Founded in 1880



United Kingdom
Founded in 1854

FEE is governed by a Council which consists of one representative from each country of which at least one professional body is an ordinary member of the Federation. FEE comprises 32 member countries.

The Council makes recommendations on constitutional matters, membership and expenditure; it decides the creation or dissolution of working parties and appoints the Vice-Presidents who form the Executive.

The Council usually holds four meetings a year during which strategic decisions are adopted, in principle, by simple majority; in practice however, the Federation manages to operate on the basis of consensus.

The Council is competent to formulate the positions of the Federation and delegates the implementation and practical application of these positions to the Executive. In 2007, the Council revised the FEE Internal Rules that implement and complement the FEE Constitution; at this occasion it decided to grant a general delegation to the Executive.

At the time of writing, the FEE Council is composed as follows: Hans van Damme (President) • Gisela Nagy (Austria) • André Killesse (Belgium) • Hristo Mavrudiev (Bulgaria) • Theodoros Philippou (Cyprus) • Petr Kriz (Czech Republic) • Charlotte Jepsen (Denmark) • Jouko Ilola (Finland) • Jean-Charles de Lasteyrie (France) • Klaus-Günter Klein (Germany) • Harilaos Alamanos (Greece) • Judit Lado (Hungary) • Margret G. Flovenz (Iceland) • John Greely (Ireland) • Stefano Marchese (Italy) • Diana Krisjane (Latvia) • Jurgita Kirvaitiene (Lithuania) • Pierre Krier (Luxembourg) • Bernard Scicluna (Malta) • François Brych (Monaco) • Arne Frogner (Norway) • Maria Rzepnikowska (Poland) • Oscar Figueiredo (Portugal) • Ondrej Balaz (Slovak Republic) • Meta Duhovnik (Slovenia) • José Maria Bové (Spain) • Svante Forsberg (Sweden) • Thorsten Kleibold (Switzerland) • Philip Johnson (UK).

The FEE Council



Executive

The FEE Executive is the Board of the Federation. It is responsible for the management of FEE and the implementation of the decisions taken by the Council.

The Executive may take all necessary actions to implement and apply Council decisions, including approval of FEE positions within the scope of the general delegation granted by the Council. It also prepares the Council's agenda, the FEE budget and annual accounts, and the annual action plan. It supervises and coordinates the working parties.

The Executive is composed of the President, the Deputy President (both elected for a two-year term by the General Assembly), Vice-Presidents (appointed by the Council) and the Chief Executive Officer who is a statutory member of the Executive. The Executive comprises a maximum of ten members; some of its members are assisted by technical advisors from their Institute. The composition of the Executive reflects the diversity of the profession in Europe and FEE is particularly grateful to the smaller practitioners that manage to make time available to sit on the Board of the Federation; actually half of the members of the FEE Executive come from a small practice.

When sitting in the Executive, the Members of the Executive represent the general interest of FEE and of all Member Bodies. In practice, the decisions of the Executive are based on consensus. The Executive usually meets on a monthly basis.

The Chief Executive is placed under the authority of the Council. He is responsible for developing, promoting and managing the Federation. He assists the Council in achieving its strategy, provides advice and support to the President, the Council and the General Assembly. Except for specific delegations of powers, the Federation is validly represented in legal matters and vis-à-vis third parties by the Chief Executive or by the President.

In 2009, the FEE Executive was composed as follows: Hans van Damme, President • Philip Johnson, Deputy President • José Maria Bové, Vice-President/Treasurer • André Killesse, Vice-President • Klaus-Günter Klein, Vice-President • Petr Kriz, Vice-President • Jean-Charles de Lasteyrie, Vice-President • Stefano Marchese, Vice-President • Anna-Maija Simola, Vice-President • Olivier Boutellis-Taft, Chief Executive.

The FEE Executive



FEE's output and achievements would never be possible without the Secretariat. The Secretariat is composed of a team of 14, representing 9 different European nationalities and covering all relevant fields of expertise such as financial and business reporting, SMEs-SMPs, company law and corporate governance, auditing and practice regulation, ethics, sustainability, taxation and European public affairs.



The team carries out the diverse day-to-day work of FEE. It supports and advises the Governing Bodies of FEE, services and administers the activities of the working parties, conducts research activities and monitors developments.

The Secretariat represents FEE at meetings, conferences and hearings and contributes to the development and enhancement of contacts with its various stakeholders.



Lotte Andersen
Manager
(Auditing, Ethics, Company Law and Corporate Governance)
lotte.andersen@fee.be



Hilde Blomme
Director of Practice Regulation
(Auditing, Ethics, Company Law and Corporate Governance)
hilde.blomme@fee.be



Olivier Boutellis-Taft
CEO
obt@fee.be



Madlen Brauer
Project Officer
Assisting Petra Weymüller
madlen.brauer@fee.be



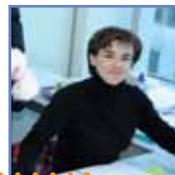
Iryna de Smedt
Project Officer
Assisting Leyre Fuertes
iryndesmedt@fee.be



Loraine Diamond
Assistant to the CEO
loraine.diamond@fee.be



Leyre Fuertes
Manager
(Financial Reporting, Accounting, Banks, Insurance, Capital Markets, Sustainability)
leyre.fuertes@fee.be



Stephanie Haesbrouck
Project Officer
Assisting Hilde Blomme and Lotte Andersen
stephanie.haesbrouck@fee.be



Sabine Leurart
Office Manager
Assisting Henri Olivier
sabine.leurart@fee.be



Henri Olivier
Secretary General
henri.olivier@fee.be



Sylvie Romancide
Project Officer
and Communication Coordinator
Assisting Tibor Siska
sylvie.romancide@fee.be



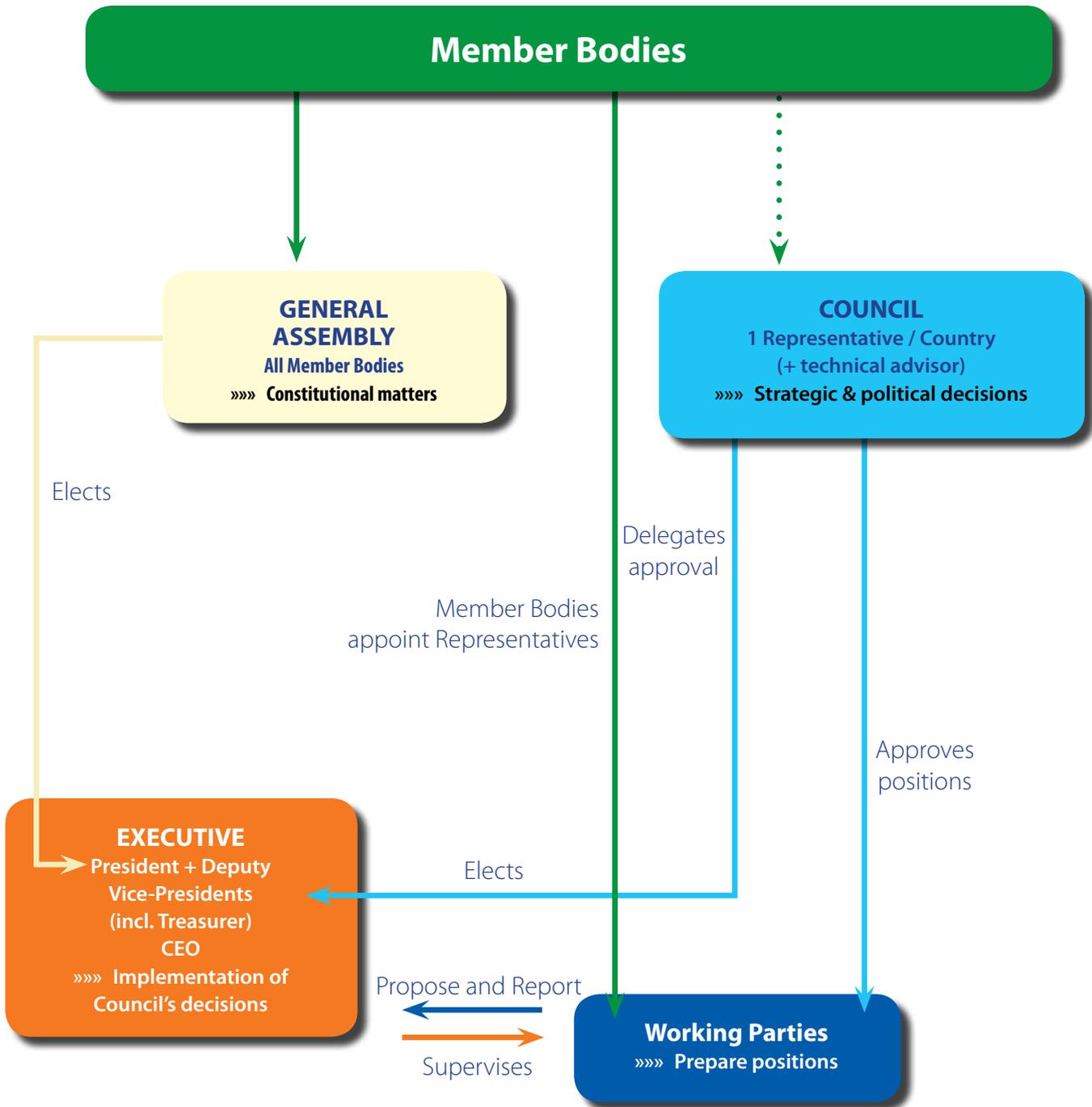
Tibor Siska
Manager (joined in 2010)
(Financial Reporting, Accounting, Public Sector)
tibor.siska@fee.be



Petra Weymüller
Manager
(Taxation, SME-SMP, Qualification and Market Access, Anti-Money Laundering)
petra.weymuller@fee.be



Daniel Wouters
Finance and Operations Manager
(joined in 2010)
daniel.wouters@fee.be



Fundamental values and principles

Integrity

“Being straightforward and honest in professional and business relationships; fair dealing and truthfulness; not being associated with information that contains materially false or misleading statements or information furnished recklessly.”

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Objectivity

“Not allowing bias, conflict of interest or undue influence of others to compromise or override professional or business judgements, and therefore avoiding situations that lead to impairing objectivity.”

Independence

“In assurance engagements, requirement for members of assurance teams and, when applicable, network firms, to be independent of their assurance clients; independence of mind and appearance that allows acting with integrity, exercising objectivity and professional scepticism.”





of the accountancy profession

Professional Behaviour

“Duty to comply with relevant laws and regulations and avoid any action that may bring discredit on the profession; not bringing the profession into disrepute through exaggerated marketing or self-promotion, or disparaging references to work of others.”

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Competence and Due Care

“Ensuring professional services based on current developments in practice, legislation and techniques; acting diligently, in accordance with applicable standards; continuing duty to maintain professional knowledge and skills.”

Confidentiality

“Duty not to disclose information acquired as a result of professional or business relationships to third parties without proper and specific authority; not using such information for personal advantage or that of third parties.”

These definitions of the Values of Professional Accountants are derived from the Code of Ethics for Professional Accountants (IESBA) that can be found on the IFAC website, www.ifac.org.



The range of activities

Activities of professional accountants in public practice, business and government are increasingly varied. They include well-known activities such as preparation of financial information, tax services, statutory audit, as well as many innovative services in the areas of non-financial reporting, assurance services other than statutory audit, sustainability and corporate social responsibility, strategy and management consultancy and corporate governance.

Professional accountants add value across the whole economy, working in different capacities in public practice (large and smaller accountancy firms), enterprises of all sizes, government and public sector. They assist managers, business partners, bankers, creditors, shareholders and investors, employees, governments and public administrations (at national and sub-national level) and other public sector organisations, as well as non-governmental organisations and charities in making sound and informed decisions.

Professional accountants are committed to the public interest. The services they provide help foster entrepreneurship, facilitate jobs and wealth creation and development. Through the preparation of financial information, statutory audit and other assurance services, they contribute to enhancing market confidence, access to finance, corporate governance and sustainability. In addition, they contribute greatly to the communities they work in through voluntary activities and pro bono work.

Trade and prosperity grow on transparency, reliability and trust and accounting and auditing are cost efficient ways of providing the foundations of a thriving economy. The demand for integrity has never been greater and policymakers' and stakeholders' scrutiny, never higher. Professional accountants play an instrumental role in providing reliable financial and business information – which is essential to make markets function properly. They do so building on competences and a strong ethical commitment, being bound by a global Code of Ethics.

FEE believes that the contribution of professional accountants will be instrumental to restore trust amongst business and in the market economy, as well as to instigate and facilitate the necessary paradigm shift toward a job-creating carbon-neutral knowledge-based economy.

If you would like to know more about the range of activities of the accountancy profession, please consult the FEE Survey "Provision of Accountancy, Audit and Related Services in Europe - A Survey on Market Access Rules, December 2005" available from the FEE website.



of the accountancy profession

Audit and other assurance services

Statutory audit of historical financial statements (private and public sector), audit of contributions in kind, voluntary audit, forensic audits, operational audits, reports on internal controls...



Administrative and human resources engagements

Payroll preparation, preparation of employment contracts, relations with social security institutions, recruitment...



Legal services

Preparation of legal documents, support to the general assembly, advice on company law, regulated insolvency services...



Sustainability

Reporting advice on the provision of reliable information to stakeholders on environmental, social and economic performance of organisations, assurance engagement in relation to sustainability matters...



Accounting

Maintenance of financial records and preparation of financial information, consulting on accounting procedures, design and implementation of accounting systems and related internal controls...

Tax

Preparing tax returns, evaluating the tax implications of an operation, assistance in negotiations with the taxation authorities and in courts...

Financial services

Business valuation, financial due diligence, investment analysis, financial planning, debt restructuring and recapitalisation, trusteeship...

Consultancy

Management consultancy, strategic advice, design and implementation of business information technology systems, organisation of internal controls, consulting in cash and treasury management...



When providing services, professional accountants are subject to local regulations as well as relevant ethical, independence and quality assurance requirements. The International Federation of Accountants (IFAC) plays a significant role therein. IFAC Member Bodies are bound by the Code of Ethics for Professional Accountants (IESBA); the Code can be found on the IFAC website, www.ifac.org.

In 2009, FEE's research and communications have resulted in numerous high-quality position papers, surveys, discussion papers and policy statements.

In addition to own publications and events, FEE cooperates with its Member Bodies for instance organising certain joint events. FEE has also contributed to a number of joint initiatives with other European organisations, this included for example:

- The publication of a joint paper with EFRAG "Impairment of Financial Assets – The Expected Loss Model" aimed at providing an additional educational resource to assist stakeholders in understanding and analysing the new impairment proposals proposed by the IASB;
- The organisation together with EUROSIF of a EU Roundtable on Sustainability Disclosure in the European Parliament to identify how sustainability information in annual reports can be further improved for accountability purposes and also to drive change in corporate behaviour;
- The publication of a series of papers supporting financial market reforms for financial stability and sustainable growth with an alliance comprising BUSINESSEUROPE, FEE, the European Banking Federation (EBF), the European Federation for Retirement Provision (EFRP), the European Private Equity and Venture Capital Association (EVCA) and the Federation of European Securities Exchanges (FESE);
- The organisation of a combined meeting between the FEE Public Sector Committee and the Comparative International Government Accounting Research (CIGAR) where issues such as Accrual Accounting in the Public Sector, Sustainability and the Financial Crisis were discussed.



FEE has extensively contributed to public policy and standard setting debates by publishing regularly press release and information as well as more than 120 comment letters addressed to a large array of European and international stakeholders; to name just a few, this includes: the European Commission (EC), the European Parliament (EP) and other EU Institutions and Committees including e.g. the Committee of European Securities Regulators (CESR); the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS); the International Accounting Standards Committee Foundation (IASCF) and the International Accounting Standards Board (IASB); the public interest boards of the International Federation of Accountants (IFAC), in particular, the Public Interest Oversight Board (PIOB), the International Auditing and Assurance Standards Board (IAASB), the International Accounting Education Standards Board (IAESB), the International Ethics Standards Board for Accountants (IESBA), the International Public Sector Accounting Standards Board (IPSASB); the European Financial Reporting Advisory Group (EFRAG); the International Organisation Of Securities Commissions (IOSCO); the US Public Company Accounting Oversight Board (PCAOB); the Financial Action Task Force on Money Laundering (FATF); the Organisation for Economic Cooperation and Development (OECD); the Global Reporting Initiative; AccountAbility; and others.



MAIN PUBLICATIONS

- Auditing and Assurance / Financial Reporting - eXtensible Business Reporting Language (XBRL) - The impact on accountants and auditors, Policy Statement, 18 December 2009
- Impairment of Financial Assets - The Expected Loss Model, EFRAG/FEE Paper, 9 December 2009
- Auditor's Role Regarding Providing Assurance on Corporate Governance Statements, Discussion Paper, 20 November 2009
- 7 Key Objectives for 5 Decisive Years, Paper, 5 October 2009
- Integrity in Professional Ethics, Discussion Paper, 22 September 2009
- European and National Legislation and Guidance on the Prevention of Money Laundering and Terrorist Financing, Survey, 1 September 2009
- Provision of Alternative Assurance and Related Services Across Europe, Survey, 24 July 2009
- Financial Reporting - Future Approach to Setting Global Financial Reporting Standards, Policy Statement, 17 July 2009
- Crisis - Shaping a Sustainable Economy, Policy Statement, 16 July 2009
- Sustainability - Towards a Sustainable Economy: the contribution of Assurance, Policy Statement, 16 July 2009

- Sustainability - Carbon Emissions Information, Policy Statement, 16 July 2009
- Sustainability - Embedding Sustainability into Corporate Governance, Policy Statement, 16 July 2009
- Sustainability Disclosures in Financial Information Can Be Improved, FEE/ Eurosif Call for Action, 3 July 2009
- Auditing and Assurance - International Standards on Auditing (ISAs), Policy Statement, 30 April 2009
- Crisis - Dynamic Provisioning for Financial Instruments, Policy Statement, 24 March 2009
- The European Private Company - Update, Fact Sheet, 12 March 2009
- Sustainability - The Contribution of the Accountancy Profession, Policy Statement, 19 January 2009
- Sustainability - Cost Internalisation, Policy Statement, 19 January 2009
- Sustainability - Non-Financial Information, Policy Statement, 19 January 2009
- Sustainability - Multiple-Stakeholders: The Essence of Multidisciplinary Teams, Policy Statement, 19 January 2009



MAIN EVENTS

28 January 2009

IFAC-FEE Practitioner's Symposium, hosted by the Wirtschaftsprüferkammer - WPK and the Institut der Wirtschaftsprüfer in Deutschland - IDW, Berlin

11 March 2009

FEE-ACCA Pension Accounting Seminar, Brussels

29 April 2009

FEE-Eurosif Roundtable on Sustainability Disclosures, hosted by the European Parliament, Brussels

26 May 2009

FEE EU Development Seminar, On-line event

27 May 2009

Joint Public Sector Committee and CIGAR, hosted by Modena and Reggio Emilia University, Modena

8 July 2009

FEE Roundtable on the Public Sector and Sustainability "Accounting, Sustainability and the Public Sector - policy and accountability, a route map", Brussels

22 July 2009

Fourth European Coordination meeting between European Financial Reporting Stakeholders and the IASCF, Brussels

1 October 2009

FEE Tax Day - Simple, Fair, Coordinated - Tax Utopia in the EU?, Brussels

22-23 October 2009

FEE Presidents' Meeting - The Future of the Profession, hosted by OROC, Lisbon



In 2009, the Sustainability Group comprised a Working Party, chaired by Nancy Kamp, and a Policy Group, chaired by Paul Druckman.

The Sustainability Group seeks to play a leading role on policy and strategic issues relating to sustainability matters and the accountancy profession. In particular, it addresses new financial and non-financial reporting, governance and assurance issues, in addition to cooperating with FEE Member Bodies and other organisations in joint projects.

The integration of sustainability in all FEE activities and the “greening” of FEE itself are also core objectives of the Sustainability Group.

● Key 2009 developments

In 2009, the Sustainability Group has continued to raise awareness in and outside of the profession on sustainability matters hitting the business and policy agendas. It also published an additional series of policy statements on core issues.

The Sustainability Group worked closely with other working parties and continued to engage with key international organisations in the reporting, governance and assurance debates, including the proposed changes in the Global Reporting Initiative (GRI) Guidelines, the revision of the AccountAbility AA 1000 Assurance Standard, the work of the IAASB in assurance on a Greenhouse Gas Statement, the activities of Eurosif and contributing to relevant accounting topics in IASB pronouncements. The Sustainability Group also participated and provided input to workshops organised by the EC on Environmental, Social and Governance (ESG) disclosure.

Two main events took place in 2009: in July, FEE held a roundtable on the Public Sector and Sustainability focusing on how sustainability in the public sector can be improved and integrated both in terms of policy and reporting. Issues that were addressed included non-financial indicators, impact of the economic crisis, public procurement, and sustainability reporting. The debate resulted in various calls for action. In April, FEE and Eurosif co-organised a roundtable at the European Parliament in Brussels on Sustainability Disclosure. The objective of this roundtable was to identify how sustainability information in annual reports can be further improved, not only for accountability purposes but also to drive change in behaviour.

The Sustainability Group launched a strategic project on a core set of Key Performance Indicators on Sustainability.



Nancy Kamp and Paul Druckman, Chairs: We all have a responsibility to transform our ways of life, our economy and our environment to become sustainable – accountants have a major role to play to operationalise visions into business plans and help transform good intentions into concrete measurable outcomes to ensure that things happen. The time has come for finance professionals to stand up and be counted.

● 2009 Achievements

The Sustainability Group organised several key roundtables and delivered a series of policy statements, calls for action and comment letters on the following matters:

- Embedding Sustainability into Corporate Governance
- Carbon Emissions Information
- Towards a Sustainable Economy: The Contribution of Assurance
- Shaping a Sustainable Economy
- Equipping accountants for a sustainable future
- Accountants driving sustainability changes in the public sector
- Small and sustainable: opportunities for SMEs
- Accounting, Sustainability and the Public Sector – policy and accountability, a route map
- COP 15: FEE calls for unifiers global standards
- Comment letter on Exposure Draft Guidance for the Use of AA 1000 AS
- Comment letter on sustainability in education to the Common Content Project.

The Sustainability Group also contributed to the work of other FEE working parties for instance regarding the FEE comment letter on IASB ED Management Commentary and the FEE comment letter on IAASB Consultation Paper Assurance on Greenhouse Gas Statement. It also enhanced its dialogue with other organisations, in particular Eurosif, ESRA (European Sustainability Reporting Association) and the Prince of Wales Accounting for Sustainability Project.



Public Sector

The Public Sector Working Party's role is to contribute to public sector financial reporting, accounting and auditing developments. It addresses national and sub-national governments, and related public sector entities such as agencies, and public enterprises. It encourages and facilitates the exchange of information among FEE Member Bodies and promotes the acceptance in Europe of international standards and guidelines such as promulgated by IPSASB.

It leads and stimulates research and debate on a wide range of subjects. The crisis has demonstrated the importance of transparency in public sector accounting and the contribution that audit can make.

● Key 2009 developments

The crisis in 2009 had major implications for the public sector and FEE has been monitoring and studying the implications for public sector financial reporting and auditing, in particular in relation to the challenges of accrual accounting. The Working Party contributes to the IPSASB by commenting on issues from a European perspective. It has surveyed the various crisis related measures at government level resulting in different types of response and support and the implications for accounting and financial reporting. It has elaborated a series of remarks on the general impact and the role accountants in the public sector have to play that were published at the beginning of 2010.

The crisis also demonstrated the importance of sustainability and the need for a focus that goes beyond a narrow view of economic matters in both the private and public sectors. Important work was started to examine sustainability reporting in relation to the public sector.

The public sector academics of the CIGAR (Comparative International Governmental Accounting Research) network are studying these financial reporting themes, as evidenced by the programme of their biennial conference in Modena, Italy and the joint meeting of the CIGAR network and FEE.



Caroline Mawhood, Chair: We are proud of the close cooperation with the various players in the public sector and the joint projects that we can undertake with them to enhance the debate on critical issues such as the implications of the crisis and the challenges of accrual accounting. We have developed valuable relationships with the EC, the CIGAR network of academics, IPSASB, and the national public sector committees. Working together we can influence public sector financial reporting and audit.

● 2009 Achievements

Main achievements for 2009 include:

- Commenting on IPSASB pronouncements, including its Consultation Paper "Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities"; ED 36 Agriculture; ED 37 Financial Instruments: Presentation; ED 38 Financial Instruments: Recognition and Measurement; ED 39 Financial Instruments: Disclosures (deadline 31 July 2009); ED 40 Intangible Assets; ED 41 Entity Combinations from Exchange Transactions; and ED 42 Improvements to IPSASs
- Roundtable on "Accounting, Sustainability and the Public Sector – policy and accountability, a route map" and related Call for Action: the Roundtable highlighted the need to identify how sustainability in the public sector can be improved and integrated in terms of both policy and reporting, with the help of best practice examples and initiatives in individual countries and at European level. The Roundtable also demonstrated the strategic importance of sustainability in the private and public sectors and the role public sector organisations can play (a policy statement on sustainability and the public sector was published beginning 2010)
- Joint meeting with CIGAR Network to exchange views and to examine possible further future cooperation in research work.

Henrik Otbo, the Auditor General of Denmark and the Chairman of Professional Standards Committee of INTOSAI, addressed FEE and suggested that it could comment on the INTOSAI pronouncements as appropriate.

During 2009, a survey on public debt management and a study on governance and accountability in the public sector were launched.



The Auditing Working Party addresses key policy issues arising from national, European and global developments in auditing, assurance and oversight, with a particular interest in harmonisation across Europe. A substantial amount of FEE work in the area of auditing is performed by Subgroups.

The provision of auditing and assurance services by a suitably qualified independent auditor can increase the degree of confidence of users in financial and other information, a key factor in ensuring confidence in capital markets.

● Key 2009 developments

The Auditing Working Party published in July 2009 a Survey on Alternative Assurance and Related Services across Europe which deals with all services other than an audit of entities' financial statements.

A number of such services have a longstanding tradition, but most result from more recent initiatives taken in European jurisdictions. A wide variety of such services are currently offered to entities in European countries.

The vast majority, but not all, of the alternative assurance or related services are developed for audit-exempt entities. It appears that the increases in audit exemption thresholds over the last few years in a number of European countries have exacerbated the need for alternative services for SMEs.

This trend is also expected to continue in the near future. In some countries, these services are, or are considered to be, mandatory.

Therefore, FEE encouraged the IAASB to consider the results of this survey for its expected revision of its compilation and review engagements standards.

In July 2009, FEE also published a Survey on European and National Legislation and Guidance on the Prevention of Money Laundering and Terrorist Financing, an important contribution to the public interest objective of fighting against Money Laundering and Terrorist Financing.

The FEE Survey provides an overview of European and international Anti-Money Laundering (AML) activities in general, the system, scope and provisions of the Third EU AML Directive that had to be implemented in the Member States by 15 December 2007 as well as the status of implementation of a number of its provisions in most European countries and their available AML guidance for accountants.

Finally, the joint Group of the Company Law and Corporate Governance Working Party and of the Auditing Working Party issued in November 2009 the FEE Discussion Paper on the Auditor's Role Regarding Providing Assurance on Corporate Governance Statements.

● 2009 Achievements

Apart from the publication of the FEE papers as discussed above, the Working Party was also active as follows:

- Regular involvement with the European Commission (EC) on a variety of subject matters, primarily the adoption of International Standards on Auditing (ISAs), the translation of ISAs and the implementation of the European Statutory Audit Directive including the adequacy of third country competent authorities for the transfer of audit working paper following Article 47
- This includes contributions to two EC European Group of Auditors Oversight Bodies (EGAOB) meetings, mainly related to the oversight of the audit profession and ISAs as well as active participation in five EC EGAOB ISA Subgroup meetings
- Policy Statement on International Standards on Auditing (ISAs) which explains the background to their development, the IAASB Clarity Project, the requirements of the European Statutory Audit Directive and practical issues relating to the use of ISAs, particularly in smaller entities
- Comment letter to the EC on the Consultation on the Adoption of ISAs, fully supporting the adoption of ISAs for the statutory audit of all companies, including small companies for which an audit is required
- Extensive discussions with the IAASB on the implementation of clarified ISAs and their proportional application in SME audits, including active contributions to the bi-annual meetings of the IAASB Consultative Advisory Group
- The facilitation of a meeting of the European Auditing Standard Setters, bringing the IAASB, the European Commission and auditing standard setters together to discuss audit-related hot topics
- eXtensible Business Reporting Language (XBRL) Policy Statement briefly explaining XBRL and its implications for the accountancy profession as well as statutory auditors



Philip Johnson, Chair: FEE continues working for harmonisation of auditing and assurance standards, not only in the European Union but truly globally. In our feedback to regulators and standard setters, we support reforms that genuinely improve auditing and assurance services offered by both larger and smaller audit firms. This is culminated in our call to the European Commission for their urgent adoption of ISAs while recognising their proportionate application for smaller entities. The next challenge for the profession is the due implementation of these standards.



- Comment letter to the Committee of European Securities Regulators (CESR) on their Call for Evidence on “The Use of a Standard Reporting Format for Financial Reporting of Issuers Having Securities Admitted to Trading on Regulated Markets” which was based on the FEE XBRL Policy Statement
- Comment letters to the US Public Company Accounting Oversight Body (PCAOB) related to amendments of the timing of inspections, the audit risk standards and possible revisions to the standard on audit confirmations
- Comment letter to the Japanese authorities on their public consultation on a Draft Framework for Inspection and Supervision of Foreign Audit Firms, recognising the need for mutual recognition of foreign oversight bodies
- Auditing related presentations at numerous conferences of FEE Member Bodies, networks or associations of larger or smaller audit firms and other stakeholders with an interest in the accountancy profession.

Ethics

The Ethics Working Party addresses policy issues arising from developments in independence and ethics. It actively participates in the global dialogue with the International Ethics Standards Board for Accountants (IESBA) by contributing to the ongoing development of the global ethics and independence standards, and to the relevant initiatives at European level.

FEE supports a global Ethics Code which comprises robust but principles-based independence standards, supplemented by appropriate guidance; this would also mean the application of restrictions and prohibitions where threats to independence are so high that safeguards cannot reduce them to an acceptable level. FEE believes that such a principle-based Code is the only one that can be applied globally by the whole profession in all situations and is the only way to avoid unnecessary compliance costs for the profession, its clients and the economy at large.

● Key 2009 developments

In September 2009, the FEE Discussion Paper on Integrity in Professional Ethics was launched which aims at promoting the importance of integrity to business in general, and the accountancy profession, whether large firms or sole practitioners, in particular. The accountancy profession recognises that ethical behaviour is fundamental to drive trust and confidence whilst its codes tend to focus on objectivity and independence. FEE believes that integrity is the core principle of professional behaviour; as the concept is understood differently by different people, particularly in an international context, this Discussion Paper is aimed at engaging into a dialogue with stakeholders.



With this paper, FEE seeks to promote a debate about the importance of integrity in the accountancy profession and business in general and to engage stakeholders in considering what behaving with integrity in a professional and business context should mean. It refers to a person's character and resulting behaviour. At the end of the day, it is always about 'doing the right thing' and being understood as doing the right thing. The paper also includes a number of practical suggestions as to how to encourage integrity at an individual and organisational level.

Michael Niehues, Chair: We are looking forward to the comparison project whereby the independence sections of the Revised IESBA Code of Ethics and the EU Statutory Audit Directive together with the EC Recommendation on Independence are compared, similarities and differences are identified and discussed.

● 2009 Achievements

Apart from the issuance of the FEE Discussion Paper on Integrity in Professional Ethics, the Working Party was also active as follows:

- Comments to IESBA on its Strategic Review Questionnaire to develop a new strategic and operational plan for the period 2010–2012. Following the issuance in July 2009 of the revised independence standards in the IESBA Code of Ethics, FEE called for a pause both in revising independence and ethical standards and issuing new sections in the IESBA Code, feeling it is important to create a stable platform of a set of up-to-date ethical and independence standards in order to ensure consistent and timely implementation
- Comment letter to the UK Auditing Practices Board (APB) on its Consultation on Audit Firms Providing Non-Audit Services to Listed Companies that they Audit. FEE expressed its support for not changing the approach of the APB to its standard setting relating to the provision of non-audit services by auditors to entities they audit, as alignment of national ethical codes with international standards is key and as a principles-based approach rather than a rules-based one is more robust



Financial reporting is a core activity for the profession. Sound financial reporting, based on high-quality standards, is a key element in providing transparency to investors and in restoring market confidence. FEE is the voice of the European profession in the financial reporting debate at both EU and international level.

The Financial Reporting Policy Group (FRPG) monitors all major financial reporting developments. The FRPG coordinates the work of others FEE working parties in the field of financial reporting and prepares policy decisions for FEE governing bodies. It also liaises with the European Commission and the European Financial Reporting Advisory Group (EFRAG), as well as with other European organisations.

● Key 2009 developments

The agenda in 2009 was dominated by the financial crisis. The regulatory and standard setters' response to the crisis took further shape during the year. Addressing systemic risks to financial stability and restoring market confidence featured high on the agenda of the G-20 and the EC and this, in turn, directed many of the activities at the IASB, the IASCF and related bodies such as the Financial Crisis Advisory Group and the newly constituted Monitoring Board.

The IASB prioritised crisis-related projects, including financial instruments, consolidation and derecognition. Financial stability and the role accounting standards should (or should not) play in this context was much debated.

The European Commission organised three stakeholder meetings to obtain European input on the IASB work on a new accounting standard for financial instruments.

In February, the IASCF approved a first phase of its Constitutional Review 2008-2010 and proposed a second phase in August. A Monitoring Board was established to ensure that the Trustees continue to discharge their constitutional duties and to approve their appointment. The European Commission is part of this Monitoring Board.

The structure, governance and standing of EFRAG were substantially enhanced in 2009. Former EC Commissioner Pedro Solbes took over as Chair of the Supervisory Board from Göran Tidström. A Planning and Resource Committee was established to cooperate more closely with national standard setters. The European Commission decided to contribute to funding. FEE played a key role with other European private sector organisations in setting up and supporting EFRAG since 2001. Although its own direct involvement is now reduced, FEE considers this evolution as a major achievement.

Early 2009, the European Commission launched a consultation on the revision of the Accounting Directives. A summary of the responses was published in October. This should form the basis of a substantial overhaul of the Directives, which should be maintained despite the growing role of IFRSs, including the IFRS for SMEs issued in July 2009. Simultaneously, on 26 February, the EC also proposed a Directive to allow Member States to exempt micro-entities from the current Accounting Directives.

● 2009 Achievements

During all of 2009, FEE engaged actively in the different debates around the financial crisis. FEE issued several policy statements, including one on dynamic provisioning, and a year-end reminder for practitioners on financial crisis-related attention points. FEE also wrote several letters to the EC and IASB, as well as speaking points for FEE Member Bodies to facilitate dialogue with their governments.

In March, FEE hosted a seminar, jointly with the ACCA, on the future of Pension Accounting.

FEE responded to the EC Consultation on the review of the Accounting Directives in April. Concerning the proposed Directive on micro-entities, FEE supported the objective of reducing administrative burdens for SMEs but remained unconvinced by the Commission's piecemeal limited approach to amending the Directives and promoted a complete overhaul based on the "think small first" principle.

FEE responded to the public consultation launched by IASCF/IASB on its Constitutional Review and strategic priorities. It also initiated a 4th coordination meeting between members of IASCF, including Chairman Gerrit Zalm, and European stakeholders including EFRAG, preparers and users. Participants discussed governance issues, priorities, the agenda setting process, and the financial crisis.

In July, FEE issued a policy statement on a new approach to setting global financial reporting standards. The paper discusses the need for a single independent global standard setter, the IASB, and argues for a strategy of adoption of IFRS and joint development of one single set of global high quality financial reporting standards. The statement also notes that convergence should no longer be an objective in itself for the IASB's work programme, a view that was later also confirmed by the IASCF Trustees in their Constitutional Review.

FEE was invited by the US Securities and Exchange Commission (SEC) to comment on its Roadmap for IFRS in the US.



Mark Vaessen, Chair: The European Union was the first to move to IFRS and by doing so provided leadership that has been followed by many major jurisdictions around the world.

In my view, we are now at new cross-roads for the IASB, where the organisation and its Trustees need to look again at the organisation's strategy, its governance, structure and priorities for the next ten years, so that the IASB enters into this new stage as a truly global independent standard setter, with the right level of accountability and a focus on investor needs, without losing sight of financial stability considerations.

FEE looks forward to playing an active role in this strategic debate about the IASB's future and the future of financial reporting more generally.



Accounting

The Accounting Working Party actively contributes to developments in financial reporting and accounting, by developing FEE positions and proactive projects in this field and responding to IASB pronouncements (and IFRIC), EFRAG and the European Commission.

The Chair of the Working Party sits in the FEE Financial Reporting Policy Group to ensure proper coordination with other working parties. The Working Party also closely coordinates with the SME-SMP Working Party to make sure that the input of smaller practitioners and the needs of SMEs are duly taken into account.

● Key 2009 developments

Over 2009, developments in financial reporting have continued to be important in both qualitative and quantitative terms and the Accounting Working Party provided input on a wide range of accounting topics.

It took the lead on the development of FEE positions to EFRAG, the IASB, IFRIC and the EC on a broad range of central issues, including IASB Exposure Drafts and Discussion Papers on topics such as Simplifying Earnings per Share; Additional Exemptions for First-time Adopters; Discontinued Operations; Post-implementation Revisions to IFRIC Interpretations; Relationships with the State (changes to related party disclosures); Income Tax, Prepayments of a Minimum Funding Requirement; Classification of Rights Issues, Discount Rate for Employee Benefits; Rate-Regulated Activities and Leases. The main topic on draft interpretations related to IFRIC D25 Extinguishing Financial Liabilities with Equity Instruments.

It led projects where specific input was sought from other working parties, including the contribution to the Discussion Papers on Financial Statement Presentation and Revenue Recognition in Contracts with Customers, and the Exposure Drafts on Consolidated Financial Statements, Fair Value Measurement, and on Improvements to International Financial Reporting Standards, as well as, proactive projects such as the PAAinE (Pro-active Accounting Activities in Europe) paper on Performance Reporting.

It also contributed to the work of other Working Parties such as the Banks Working Party's comments on the developments in accounting of financial instruments in particular in relation to IAS 39, first phase of IFRS 9 and IFRS 7.

Dialogue with EFRAG, other European organisations and contacts with the IASB are standing items on the busy agenda of the Working Party.

● 2009 Achievements

The Working Party delivered leading contributions to EFRAG, IASB, IFRIC and the European Commission e.g. on:

- Simplifying Earnings per Share, Proposed amendments to IAS 33
- Additional Exemptions for First-time Adopters, Proposed amendments to IFRS 1
- Discontinued Operations - Proposed amendments to IFRS 5
- Post-implementation Revisions to IFRIC Interpretations
- Relationships with the State - Proposed amendments to IAS 24
- Consolidated Financial Statements
- Income Tax - IAS 12
- Prepayments of a Minimum Funding Requirement - Proposed amendments to IFRIC 14
- Classification of Rights Issues, Discount Rate for Employee Benefits
- Discount Rate for Employee Benefits - Proposed amendments to IAS 19
- Rate-Regulated Activities
- Fair Value Measurement
- Improvements to International Financial Reporting Standards
- Financial Statement Presentation
- Revenue Recognition in Contracts with Customers
- Leases
- Performance Reporting
- IFRIC D25 Extinguishing Financial Liabilities with Equity Instruments



Mireille Berthelot, Chair: After a notably "stable platform" since 2005, 2009 saw an avalanche of projects from the IASB and FASB and an aftershock will most likely strike again in the second half of 2010. FEE remains committed to contributing to improving financial reporting for the benefit of investors and other stakeholders.



The Banks Working Party develops the profession's views on matters specific to the banking sector in the field of financial reporting, auditing as well as financial regulation and supervision.

It takes a leading role in the development of FEE positions on the banking sector proposals of the European Commission, the Basel Committee of Banking Supervisors, and of the Committee of European Banking Supervisors (CEBS); it contributes to IASB and EFRAG developments related to financial instruments and lends its specialised expertise to relevant projects led by other FEE working parties in financial reporting and auditing.

● Key 2009 developments

2009 continued bringing plenty of developments that kept the Working Party extremely busy. Together with other working parties and the Executive, the Banks Working Party has actively contributed to debate on the financial crisis and its consequences.

Changes related to the accounting of financial instruments were the primary focus of the Banks Working Party.

The Working Party also contributed to the development of papers and policy statements to help find ways to secure and speed up recovery, promote transparency and sound risk management practices. It was especially concerned by the impact on SMEs: the lending capacity of banks needs to be maintained to ensure a sufficient flow of credit to all entrepreneurs including in particular to SMEs.

The Working Party has continued to engage in a fruitful dialogue with the European Banking Federation (EBF) on issues in relation to financial instruments.

It addressed a wide range of financial reporting issues for the banking sector, making detailed contributions on relevant IASB, EFRAG and EC projects with a leading contribution on the pronouncements in relation to IAS 39 and IFRS 7 such as debt instruments, embedded derivatives, derecognition, the IASB Request for information on the Feasibility of an Expected Loss Model for the Impairment of Financial Assets, the Discussion Paper on the role of Credit Risk in Liability Measurement (own credit risk issue), the Exposure Draft on Classification and Measurement of financial instruments and input to other projects such as the PAAinE (Pro-active Accounting Activities in Europe) paper on Performance Reporting, the Discussion Paper on Financial Statement Presentation and the Exposure Drafts on Fair Value Measurement and on Improvements to International Financial Reporting Standards.



Petr Kriz, Chair: Getting financial reporting right in the banking sector will be essential to obtain a "true and fair" insight in our financial system. Getting banking regulation right and balanced will be essential both for stability and for financing innovation, growth and employment creation of European businesses and SMEs in particular. We aim at playing our part by providing independent expertise.

● 2009 Achievements

- Comment letters on first phase of IFRS 9 including participation in EC stakeholder meetings and IASB roundtables and other IASB agenda on financial instruments
- Participation in development of Joint EFRAG/FEE Paper on Impairment of Financial Assets: The Expected Loss Model
- Development of FEE Paper: Bank Provisioning and Reserving: A Comparison of Alternatives
- Policy Statement on Dynamic Provisioning
- Comment letter to EC on CRD Proposal on Through-the-cycle provisioning
- Ongoing dialogue with CEBS
- Active involvement in projects led by other working parties with an impact on the banking sector and related projects such as fair value, derecognition, financial statements presentation
- Contribution to relevant IAASB pronouncements that have particular implications for auditor of banks



Capital Markets

The Capital Markets Working Party addresses policy issues arising from capital markets regulation. It contributes to the legislation, guidance and other measures related to the Prospectus Directive and the development of auditing and assurance standards, as well as financial reporting, where relevant, by providing input to the Auditing Working Party and the Financial Reporting Policy Group as appropriate. The Working Party represents the European accountancy profession in the dialogue with regulators, notably the Committee of European Securities Regulators (CESR). It also focuses on monitoring new developments in relation to Capital Markets including on Prospectuses (through direct contact with the EC and involvement in the work of the IAASB).

● Key 2009 developments

In 2009, the EC launched a Consultation on the review of the Prospectus Directive, in particular as an area identified for specific consideration in light of the EC Action Programme for reducing administrative burdens, as well as the envisaged review of the Directive five years after entering into force.

In May 2009, the EC issued a communication on financial supervision proposing the implementation of the main proposals set out in the "de Larosière" report. The new financial architecture proposed includes the establishment of a European Systemic Risk Council (ESRC) and a European System of Financial Supervisors (ESFS) consisting of a robust network of national supervisors working in tandem with three European Supervisory Authorities to perform micro-prudential supervision. The resulting legislative package was proposed to Parliament and Council in September 2009.



Martin Pföhler, Chair: The Prospectus Directive cannot only impact the work of accountants and auditors in listed companies but could influence future developments in regulation of non-listed companies. FEE will continue monitoring very closely and contributing as best as it can to regulatory developments in this field in the interest of the wide public.

● 2009 Achievements

The Working Party is proactively working on developing a discussion paper on Combined Financial Statements (Combined FS) under IFRS that is expected to be finalised in 2010. There are a variety of reasons for the preparation of Combined FS and there is no specific guidance for the preparation of Combined FS under IFRS. In some European countries, there appears to be diversity in practice, in particular when national regulators impose different requirements on entities. The Working Party thinks that it would be helpful looking at the current practice in Europe on the preparation of Combined FS under IFRS to develop some form of best practice guidance and aims at tabling some key questions for discussion.

In contributing to the EC on its Consultation on the review of the Prospectus Directive, FEE supported the general assessment of the overall effect of the Directive and is of the opinion that the Prospectus Directive has been very helpful to the European Capital Markets and facilitated their integration. The Directive constitutes a significant advantage when comparing current EU standards with standards outside the EU. The new prospectus regime is indeed a step in the right direction in activating a single European securities market.

FEE also commented on the EC's Consultation on European financial supervision.

The Working Party continued its dialogue with the EC, in addition to monitoring closely the new developments of CESR.

It also carried out a survey of national developments on the audit standard/guidance in relation to prospectuses and comfort letters. The survey was distributed to Member Bodies as an internal document in October 2009.

Throughout 2009, members of the Capital Markets Working Party provided input to the IAASB Consultative Advisory Group on Prospectus and were involved in the IAASB Task Force on Reporting on pro forma financial information in prospectuses.



The Insurance Working Party deals with insurance issues of relevance to the profession in the areas of financial reporting, supervision and auditing. It develops FEE positions on the proposals from the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS); it takes a leading role on the development of FEE positions to the IASB and EFRAG on developments linked to the accounting of insurance contracts and contributes to relevant projects led by other FEE working parties in financial reporting and auditing.

The Working Party monitors and provides input on insurance specific proposals of the European Commission with a focus on auditors' involvement in the Solvency II project on the reform of the insurance supervisory system.

● Key 2009 developments

Following the endorsement of the Solvency II Framework Directive, CEIOPS released during 2009 its first, second and third sets of Advice on Solvency II (Level 2 Implementing Measures) for consultation, as part of its process to provide advice to the European Commission. For the Insurance Working Party, this meant reacting to a significant number of consultation papers in which issues related to the external auditors' function were identified.

In addition, the Working Party provided specialised expertise to other working parties, in particular in relation to work undertaken on IFRS 9 and European Financial Supervision.

The Working Party aimed at providing the profession's views on aspects that affect the role of auditors in the supervisory process by maintaining regular contact with representatives from the European Commission and enhancing its continuous dialogue with CEIOPS, while being active in a range of public hearings and internal meetings on this topic.

It provided insurance sector specific input to other working parties, in particular regarding relevant IASB, EFRAG and EC projects, mainly in relation to IFRS 9 Financial Instruments, derecognition, the IASB Request for information on the Feasibility of an Expected Loss Model for the Impairment of Financial Assets, the Discussion Paper on the role of Credit Risk in Liability Measurement (own credit risk issue), the Exposure Draft on Classification and Measurement of financial instruments and input to other projects such as the PAAinE (Pro-active Accounting Activities in Europe) paper on Performance Reporting, the Discussion Papers on Financial Statement Presentation and Revenue Recognition in Contracts with Customers, and the Exposure Drafts on Fair Value Measurement and on Improvements to International Financial Reporting Standards.

The Working Party continued monitoring the IASB project on Insurance Contracts Phase II and the implications of the financial crisis on insurance undertakings.

● 2009 Achievements

The Working Party's contributions to CEIOPS on Solvency II Level 2 Implementing Measures touched, for instance, on:

- The role of the auditor in the context of Solvency II
- The determination of capital requirements
- The determination of available capital
- The system of Governance
- Internal models and surrounding processes
- Supervisory Reporting and Public Disclosures

In addition, FEE participated in CEIOPS stakeholders' meeting on reporting. It made presentations to CEIOPS Expert Group on Internal Governance, Supervisory Review and Reporting (IGSRR). FEE also provided ongoing feedback on what level of assurance can be given on what kind of information under what circumstances.

The Working Party also prepared a Comment Letter to IAIS on the Roles of and Relationship between the Actuary and the External Auditor in the Preparation and Audit of Financial Reports.



Frank Ellenbürger, Chair: We strongly support the continuous efforts to improving the regulatory and accounting environments for insurers. The upcoming publication of an Exposure Draft for an IFRS on insurance contracts and the expected level 2 and 3 implementation guidance will set cornerstones for doing business for European insurers. We will contribute in developing regulations that enhance the trust in the insurance industry for the benefit of capital markets and customers.



Company Law and Corporate Governance

The Company Law and Corporate Governance Working Party monitors and provides input to debates and proposals in relation to corporate governance and company law at European and international level. It also plays a thought leadership role by identifying potential issues, proposing solutions and engaging with relevant stakeholders to move the debate forward and promote the involvement of practitioners in this high profile arena.

The economic and financial crisis has demonstrated that robust and transparent governance practices need to be embedded in all organisations as complying with relevant corporate governance codes, preparing appropriate corporate governance statements and involving auditors in such disclosures result in increased transparency for investors and other stakeholders.

● Key 2009 developments

The joint Group of the Company Law and Corporate Governance Working Party and of the Auditing Working Party issued in November 2009 the FEE Discussion Paper on the Auditor's Role Regarding Providing Assurance on Corporate Governance Statements.

Despite the range of legal systems and institutional frameworks, corporate governance requirements and practices, there is considerable convergence across Europe in the individual issues addressed in national corporate governance codes and statements, including the disclosure requirements of the amended 4th and 7th Directives.

The Discussion Paper discusses how and to what extent assurance can be provided on corporate governance statements by auditors. The EU Directives require certain matters to be considered including the consistency of certain corporate governance information with the financial statements and whether certain other corporate governance information has been produced or included in a statement. Some countries have gone further and require mandatory reporting by the statutory auditor regarding other governance practices.

The survey on which it is based was launched in 2007, prior to the onset of the financial crisis, yet the recommendations and conclusions in the Discussion Paper remain extremely relevant in the current economic climate.



Erich Kandler, Chair: We are proud that we will be able to further FEE work on improving corporate governance in particular with respect to assurance on corporate governance statements, given its increased relevance in the aftermath of the crisis. We have endeavoured on a project on audit committees and the relationship with the auditor. On company law matters we hope that a consensus will be found on the European Private Company and that the resulting requirements will allow for a truly European format and structure that is of particular benefit to SMEs.

● 2009 Achievements

Apart from the issuance of the FEE Discussion Paper on the Auditor's Role Regarding Providing Assurance on Corporate Governance Statements, the Working Party was also active among others as follows:

- Comment letter to the Joint Working Group on General Meetings to enhance shareholder voting by the introduction of standards for General Meeting
- Fact Sheet updating on the European Private Company status and next steps
- Comment letter on the UK ICAEW/FRC Consultation Paper on the Audit Firm Governance Code commending them for initiating this debate while pointing out the challenges for audit firms outside of the UK mostly organised as partnerships (though incorporated) and operating as members of international associations of independent firms in case of eventual implementation of certain aspects of the Code like appointing independent non-executives
- Comment letter to the IOSCO Technical Committee Consultation on the Transparency of Firms that Audit Public Companies referring to the EU Statutory Audit Directive requirements in Article 40 in respect of transparency of auditors of public interest entities and in Article 26 to achieve high-quality audits on the basis of international auditing standards
- Active contributions to the European debate and high profile seminars on corporate governance in relation to the European Commission's Advisory Group of non-governmental experts on corporate governance, ECGI, UN/ISAR and EcoDa



The Qualification and Market Access Working Party deals with issues linked to education, qualification and free movement of accountants, auditors and their firms throughout the European internal market. It also monitors the international agenda of the International Accounting Education Standards Board, the World Trade Organisation and the OECD.

If clients of accountants make a full use of the European market, their advisors cannot remain confined within their national borders. The development of the European internal market is an essential element to consider when looking at the future of the profession. Harmonisation of education requirements and recognition of qualifications are pre-conditions to make it possible.

● Key 2009 developments

The Directive 2006/123/EC of 12 December 2006 on Services in the internal market had to be fully implemented by Member States by 28 December 2009.

The European Commission provided improved information on how EU rules on recognition of professional qualifications work in practice in December 2009.

After the European Union in 2008, the IOSCO launched a public consultation in 2009 on the exploration of non-professional ownership for audit firms relaying the concern that the audit market might be severely impacted by the collapse of one of the existing major audit firms.

● 2009 Achievements

The Working Party prepared the response to the European Commission's consultation on control structures in audit firms and their consequences on the audit market. FEE believes that no single element can create more choice and less concentration in general. Market mechanisms should shape market structure and historically regulatory intervention has already had an indirect impact on market structures and consequently the number of players. Financial capital may play a certain role but is not regarded as a key factor for increasing choice in the audit market.

The Services Directive calls upon Member States in cooperation with the Commission to encourage the drawing up at Community level, particularly by professional bodies of codes of conduct aiming at facilitating the provision of services or the establishment in another Member State. On 1 September 2009, FEE issued a Communication to its Member Bodies in response to this provision, focusing on cross-border provision of services.

The Communication considers that the IFAC Code of Ethics for professional accountants forms the common set of ethical principles that must be applied by accountants providing services in any Member State. The Communication deals with the use of titles, professional rules to apply in the host Member State, professional liability insurance, knowledge of languages and cooperation between FEE Member Bodies and competent authorities in Member States.

The Working Party prepared FEE comments on the IEASB Strategy and Work Plan 2010-2012 and the IEASB Proposed Framework for International Education Standards. The Chairman attended meetings of the IEASB Consultation Advisory Group.

The FEE Chief Executive represented FEE in the OECD Conference discussing the Services Trade Restrictiveness Indices where the situation of the accounting profession was especially addressed.



André Killesse, Chair: Professional accountants still work very much in their domestic environment. They should seize the opportunity of growing within the European internal market. If they cannot do it, their position will probably be weakened in the globalised world of tomorrow.



Taxation

In a large number of countries, professional accountants provide a full range of tax services to their clients. FEE, in supporting its Member Bodies, operates two Tax Working Parties who closely monitor and contribute to developments in both direct and indirect taxes across Europe.

The Tax Working Parties demonstrate the thought-leadership of the accountancy profession and its ability to provide high-quality advisory and compliance services. They also contribute to the European public policy debate bringing the profession's views based on expertise and real-life experience.

● Key 2009 developments

The major event in the year was clearly the FEE Tax Day 2009 where, the Tax Working Parties joined forces and organised what was to be one of the major tax events of the year. The project aimed at raising the visibility of FEE and its Member Bodies in the area of taxation and showcasing the breadth of taxation expertise of the European accountancy profession.

With over 200 registered participants from 22 countries, representing, according to IBFD, "the who-is-who in international tax law", the event titled Simple, fair, coordinated – Tax Utopia in the EU? on 1 October 2009 was a great success. The audience reflected the full range of key tax experts from business and business organisations (~ 34 %), tax practitioners (~ 33 %), policy makers and tax administrators at both European and national level (~ 28 %) and academia (~ 5 %).



Stefano Marchese, Chair: The FEE Tax Working Parties engage in a facts-based dialogue acting as a sounding board for key policymakers. We want to enhance awareness and understanding of the technical aspects and practical feasibility of tax policy-decisions to stakeholders on the European and International stages.

Highlights were the keynote address of the European Commissioner for Taxation and Customs, Laszlo Kovács (video), and the political lunch debate. The three plenary sessions covered themes like fair tax, simple VAT and coordinated corporate tax. The event closed with reactions from the European Commission.

The Working Party also contributed to advancing the discussion on electronic invoicing, a development that should bring significant benefits to business. Furthermore, FEE provided input to the High Level Group of Independent Stakeholders on Administrative Burdens for an opinion on the Priority Area Taxation (VAT), covering amongst others subjects such as the general one stop shop, the new refund procedure, anti-fraud measures and the various VAT returns and listings.

The Working Party has been active on the Brussels' scene and sent delegations to take part in various Tax Events: Fiscalis seminar on VAT fraud: A common concern for businesses and tax administrations (EC); Brussels Tax Forum (EC); What taxation for a low carbon economy (EC); Green taxation in a recession (ACCA); Policy Lunch Green Taxation (EPC); CFE Forum (CFE).

● 2009 Achievements

The Tax Working Parties monitored tax developments at European and international level and contributed to the debate with FEE comment letters, direct information exchange and personal engagements:

- Comment letters on the VAT Package and FEE considerations for a regulation containing definitions to accompany the VAT Package
- Close contact and information exchange with the European Commission: Representatives from DG TAXUD are permanent invitees for meetings of the Tax Working Parties; Stefano Marchese is a member of the European Commission's Expert Group on Taxation of Savings
- Close contact and information exchanges with the OECD: FEE was invited to the OECD consultation meeting on article 7 of the OECD Model Tax Convention



Stephen Dale, Chair: As my last year as Chair of the Indirect Tax Working Party, we can say that FEE is now recognised as a major 'force' in Indirect Tax, a key issue affecting all businesses and citizens and the main contribution to States' income, therefore of vital interest to all FEE Member Bodies. Over the next few years, it will be essential, whilst maintaining FEE's focus on Indirect Tax, to devote more work to making our tax systems more environmentally efficient.



Small and medium-sized entities (SMEs) representing more than 95% of companies are the most important part of economy. Similarly many professional accountants work in small and medium-sized practices (SMPs) and in certain countries, the member firms of the large international networks can also be considered SMPs; in addition many large firms have specialists focusing on serving the SME market.

SMEs and SMPs are relevant to the work of almost all FEE Working Parties. The SME-SMP Working Party contributes to their work, identifies issues of interest and provides proactive support to SMEs and SMPs.

● Key 2009 developments

In order to give SMPs a better voice in the discussions of other FEE working parties from the outset and to use the proper capacities of Member Bodies' delegates in the SME area, the SME-SMP Working Party has started a new working concept in 2009.

They identified auditing, accounting and sustainability as key areas of work and appointed so-called "linking-pins" and "rapid response teams". Building on this experience, further linking pins and rapid response teams will be appointed in other areas as appropriate.

The linking pins attend the meetings of the relevant Working Parties, contribute views and input from the SME-SMP perspective and report back to the SME-SMP Working Party.

The rapid response teams have a feedback, input and sounding board function for the linking pins. The linking pins can consult the rapid response teams for immediate input.

This new concept ensures that the SMEs dimension and SMPs views are taken into account in all areas of work of FEE; this approach was welcomed and supported by all FEE Working Parties and starts showing results.

● 2009 Achievements

SMEs and SMPs are at the core of many areas of FEE work, in particular the Working Party worked on:

- Input to the FEE response on the EC consultation paper on the review of the Accounting Directives
- Contribution to the FEE Policy Statement "Small is Sustainable"
- Preparation of the FEE/CNDCEC SME-SMP Congress Venice 2010, the next issue of the leading European networking event for SMEs and SMPs
- Exchange of views with the SME-SMP Advisory Panel, high-level experts from the corporate, investors and financial communities, who deliver strategic advice and direct stakeholder input to FEE's SME work
- Close cooperation with the European Commission, Directorate-General Enterprise and Industry, e.g. via participation in the regular meetings of the Informal Group of Banks and SMEs and participation of the FEE President in the High Level Roundtable meeting between Banks and SMEs on 21 January 2009
- Continued constructive dialogue with the IFAC SMP Committee, e.g. via participation in the IFAC-FEE Practitioners Symposium, Berlin on 28 January 2009, and delegating participants to the IFAC SMP Committee meeting in January 2009



Gérard Varona, Chair: SMEs are essential to job creation and innovation in the EU. SMPs are their main source of professional advice; they also represent the core of the profession. The Working Party is thrilled to see how SMEs and SMPs matters have gained in importance in FEE and have reached the top of its strategic agenda. It is grateful for the support and commitment of the whole FEE Executive.



Financial information

In Euros

ACTIVITIES	2009	2008
INCOME		
Member body contributions	3.108.443	2.904.002
Contribution received on behalf EFRAG	300.000	504.000
Publications (sales)	0	288
Royalties and other income	1.478	27.817
Total income	3.409.921	3.436.107
EXPENDITURES		
Personnel costs	2.263.440	1.883.126
Office occupancy	241.922	231.862
Communications	52.910	47.856
Office supplies	13.465	42.356
Office maintenance	32.043	36.909
Library and subscriptions	8.802	8.183
Hospitality and events	110.546	140.949
Travel and subsistence	120.752	142.731
Contribution to other organisation	31.451	37.401
Contribution to EFRAG	300.000	504.000
Equipment rental and maintenance	56.826	56.283
Publications	63.874	44.554
Other expenses	85.412	89.707
Total cash expenditures	3.381.443	3.265.917
Results from Activities	28.478	170.190
Financial results	10.849	45.961
Non cash expenditures	-83.898	-101.298
Results of the year	-44.571	114.853

The auditor, Rsm InterAudit, represented by Mr. Bernard de Grand Ry, delivered an unmodified report on the annual accounts.

The full version of the annual accounts and the auditor's report are made available separately to the Member Bodies.



Mixed Sources
Product group from well-managed
forests and other controlled sources

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Avenue d'Auderghem 22-28, B - 1040 Bruxelles
Tel : +32 2 285 40 85 - Fax : +32 2 231 11 12
E-mail : secretariat@fee.be

www.fee.be

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