



THE ICAEW PAGES

News, views and upcoming events from the ICAEW. For information about these pages please contact the institute section editor Juliana Sancto. juliana.sancto@icaew.com +44 (0)20 7920 8773



CEO's letter

Leading the way

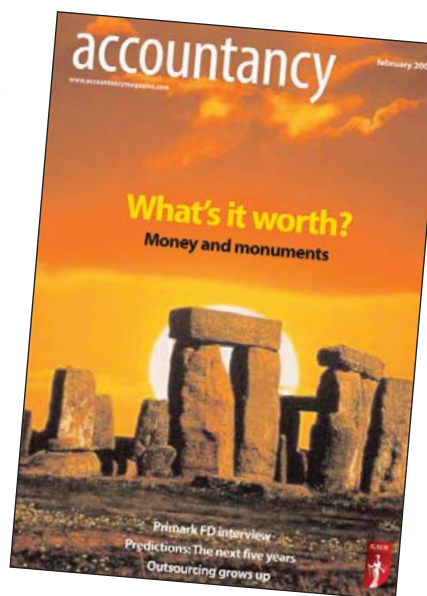
In January, the institute hosted a corporate governance roundtable at which the secretary of state for trade and industry, the Rt Hon Alistair Darling MP, gave the keynote address. The corporate governance debate is one in which the institute has played a leading role in the UK. As capital markets open up, the challenge is to ensure that we are contributing to the global debate. Our contribution at the World Economic Forum in Davos, for which I am preparing at the time of writing, will be part of that.

Institute research suggests that despite superficial parity between the US and UK there are fundamental differences in our respective approaches to corporate governance. Understanding these differences and their impact across markets helps build business confidence, which is why we are committed to encouraging dialogue in this area (see p111).

The latest publication on audit reporting from the UK's Audit Quality Forum – which brings together investors, regulators, government and the profession – suggests there is broad support for some form of narrative reporting that captures in headline form the issues investors need to know. Perhaps unsurprisingly there is less consensus on the precise content of these reports (p104).

This month, I will be launching a blog on the members' section of our website intended to offer an informal perspective on the day-to-day business of the institute. My first posting will be from Davos. Please take the opportunity to log on at www.icaew.com/members and engage through the comment section. And, as I wrote in January, I would very much welcome your views on how we best maintain and build our leadership position while providing you with the level of service you would expect from your professional body. You can contact me directly at chiefexecutive@icaew.com

Michael Izza
Chief executive
Institute of Chartered Accountants in England and Wales



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View from Westminster



Harnessing home-grown talent

The Treasury has long recognised that one of the best routes to faster economic growth is increased productivity. According to the Economic and Social Research Council (ESRC), UK productivity still lags the US by 27%, although for the first time in 2005 the UK overtook Germany in the productivity stakes.

One of the UK's problems, it seems, is the low level of investment in research and development relative to other major economies. The prime minister commented recently that while Britain has world-renowned scientific expertise, we have historically been very poor at benefiting commercially.

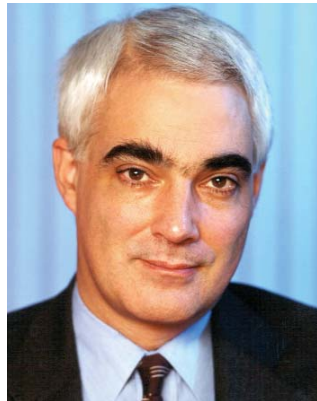
Analysis of the chancellor's budgets over the last 10 years reveals his interest in this agenda, partly to meet competitive challenge from emerging economies such as China and India, but mainly to harness home-grown talent in the science laboratories of our major universities.

Government sees a global market emerging in education. The UK needs to attract the best scientists in the world to make a success of its fast-growing bioscience and environmental technology sector. Many ICAEW members are advisers to, and directors of, start-up companies – at the cutting edge of biotechnology, science and innovation best practice. The institute is working to channel this knowledge through to government to ensure policy is informed by our members' expertise.

One further way to increase productivity is to encourage entrepreneurship among young people. The institute is working in partnership with government, the Personal Finance Education Group and GE Money to deliver a programme of financial literacy in schools using members' expertise. Endorsed by Ed Balls, economic secretary to the Treasury, as 'an excellent model', it demonstrates the role of this profession in unlocking our economic potential. The government's mission to improve productivity levels is, after all, unlikely to go away.

Jonathan Labrey is the ICAEW head of public affairs

Protections and burdens



Darling: Harm to trading position

An ICAEW roundtable in mid-January comprising leading representatives from the business, investment, accounting and regulatory communities, launched a major new institute report – *Emerging Issues* – on the differences between US and UK corporate governance systems (see this issue, p111).

Speaking at the roundtable, Alistair Darling MP, UK secretary of state for trade and industry, defended London's number one position in attracting international trade. Talking about its principles and risk-based approach to legislation, Darling said: 'Put bluntly, we do not want to see another country export its regulatory regime to London if that would harm our trading position.' He welcomed the emerging US debate on capital market competitiveness and finding a better balance of protections and burdens in US regulation for domestic and foreign companies.

Other speakers at the event included John Castellani of the US Business Roundtable, Richard Lambert of the Confederation of British Industry and Sir Christopher Hogg, chairman of the UK's Financial Reporting Council.

An honourable profession

Institute members receiving honours in the Queen's New Year's Honours List 2007 were:

- Sir Philip Hampton Kt ACA, chairman of J Sainsbury plc, knighted for public service.
- Sir Michael Rake Kt FCA, global chairman of KPMG, knighted for services to the accountancy profession.
- Trevor Bayley FCA OBE, awarded an OBE as lately acting chief executive and director of savings, National Savings and Investments, HM Treasury.

Rainmakers of the future

The institute is about to launch its Advanced Diploma in Corporate Finance, the third and final stage of its acclaimed corporate finance qualification. Tuition of the Advanced Diploma will begin in the summer with the first exams to be taken in September 2007.

Vera Sabeva, head of the institute's Corporate Finance Faculty, said: 'Feedback from the market has shaped our syllabus: this is a qualification by practitioners, for practitioners. That has made it highly relevant and will help

create the corporate finance rainmakers of the future.'

The first set of corporate financiers achieving the prestigious CF designation offered by the qualification via the exam will be expected by the end of 2007.

The experience route has already proved extremely successful with over 1,000 applications from senior corporate financiers worldwide. Visit www.cfqualification.com for more information.

Institute welcomes ASB decision on FRSSSE

The institute strongly supports the decision of the Accounting Standards Board not to add complex requirements on share-based payment to the FRSSSE following consultation on the updating of the standard during 2006. This is seen as an important precedent in the context of convergence between UK GAAP and international standards, which might result in a more complex FRSSSE.

The institute has been actively involved in efforts to persuade the board to not import the key principles of FRS 20 (based on IFRS 2) into the FRSSSE without simplification. We argued that the application of the accounting requirements of FRS 20 – which, in relation to equity-settled awards, do not impact on shareholder equity – would not provide information of value to most users of SME financial statements, emphasising at the same time that many small companies would encounter serious practical difficulties when seeking to determine reliable valuation numbers.

Christmas peak for chartered accountant



Leeds-based chartered accountant Tom Bottomley tucked into his four-course Christmas dinner – with all the trimmings – perched on Mount Kilimanjaro in Africa with five friends. His expedition was in aid of Marie Curie Cancer Care. He expects to raise in the region of £5,000. To make a donation, visit www.justgiving.com/ChristmasOnKili

Council elections in 2007

Following the recent nominations process for election to council in 2007, there will be contested elections in the London and South West constituencies. Voting papers will be circulated to all members in those constituencies during the first week in February.

HAVE YOUR SAY

European-wide IFRS experience sought

The institute is undertaking a European-wide study on the implementation of International Financial Reporting Standards (IFRS) on behalf of the European Commission. The objective is to enable the Commission to evaluate how the EU IAS regulation and fair value provisions in the modernised accounting directives are working. Please see our article by David Cairns, the IFRS study project director, on p103 for full details.



This is a major opportunity for the profession to demonstrate to policy-makers and standard-setters the practical experiences that result from their decision-making. We are seeking input from preparers, users, auditors and regulators of IFRS statements from throughout the EU and, in particular, from EU accession countries.

Please contact either David Cairns directly on +44 (0)1491 412444, email david@cairns.co.uk, or Martin Batsford, project co-ordinator, on +44 (0)1908 248133, email martin.batsford@icaew.com

New national practitioner forum

The institute is launching a regular practitioner forum to consider topical issues – such as the talent war including training, regulatory burdens, practice management and profitability, and protection of the ICAEW brand name – and gauge practitioners' opinion face-to-face on where the institute should focus resources to support them in firms of all sizes.

The first forum 'Shaping our future' will be held on Tuesday, 20 March 2007 at Chartered Accountants' Hall. The forum has been initiated by the ICAEW practice advisory board, which provides a new voice for the institute's 55,000 practising members to champion their views and influence institute activities.

Nick Land, chairman of the board, says: 'This is a fantastic opportunity to get to the heart of the issues that matter to practitioners right now. We want to make sure that we tap into practitioner networks and opinion throughout our membership.

'However, we know that the issues facing practices are worldwide and not limited to the UK. I'm also encouraging practitioners in other countries to email me in the first instance so that we can raise their views at the forum too.'

The institute is sending out invitations through the district societies and others, encouraging them to put forward delegates to attend. Further practitioner forums will be held in due course. For more details visit www.icaew.com or call Peter Dickinson on +44 (0)20 7920 8543.

View from Brussels



The European Union has edged further to the half a billion mark – in terms of population – through the membership of Romania and Bulgaria. Completing an enlargement process involving Central and Eastern Europe which began in May 2004 represents a major achievement in healing old wounds within Europe. Still, there is much healing to be done.

Narrowing the gap in living standards between the two new members and the rest of the EU will take time: the Romanian prime minister has referred to 20 years in the case of his own country. More immediately, the entry of further new members raises difficult questions for the EU's organisational and institutional structures.

It is questionable whether the present structure can continue as is. Just think of the unwieldy size of the Commission's executive arm – now consisting of 27 members – and the incredible feat it is for any organisation to function with 23 official languages. The reason why the EU's official languages have grown by three when only two new countries have joined is the inclusion of Irish (although not all legal texts will have to be translated, for practical reasons).

The current size of the EU means that the UK will not hold the EU Presidency – an opportunity to provide a particular slant to proceedings – until July 2017. Although by then we may be operating under rather different presidency arrangements, whether or not there are further accessions.

As per the discussion in recent weeks, encouraged to a significant degree by the German presidency of the EU, both the structure of the Commission and the broader constitutional arrangements of the EU are under considerable scrutiny. All of this – on the top of the everyday 'grind' of ensuring consistent implementation of EU legislation across jurisdictions and linguistic regimes – continues to make the European Union a compelling experiment.

Dr Martin Manuzi is director of the ICAEW EU office

PRODUCT OF THE MONTH

The website solution for accountants

Practice Track, the UK's leading suppliers of client publications for the accounting profession, can offer the all-inclusive website solution for ICAEW members working in practice. Flexible design options allow you to customise one of their professional templates, design your own bespoke site, or transfer an existing design, while Practice Track will provide comprehensive content on essential tax, business and financial matters. In addition ICAEW members will also be offered a three month free trial. For more information, visit: www.icaew.com/practicetrack

For information about Practice Track's range of client publications including Budget reports and newsletters, call 0800 181 343 and quote PS1106 or visit the above website.

NEWS IN BRIEF

Rewarding outstanding achievement

The institute's prestigious annual Outstanding Achievement Award will be given at the ICAEW annual dinner on 6 March. The winner will be a chartered accountant who has been judged to have made an outstanding contribution in any field of endeavour. Last year's winner was Peter Wyman for his unstinting representation of the profession in the post-Enron era. Principal guest at the dinner is Sir Martin Sorrell, CEO of WPP, one of the world's largest communications groups.

Chinese New Year

Institute chief executive, Michael Izza, and president Richard Dyson will be hosting a Chinese New Year reception on 13 February at Chartered Accountants' Hall. Places are limited so to attend, please contact Grace Shi on +44 (0) 20 7920 8567, email grace.shi@icaew.com



Small business champions needed across government

The institute has issued three topical public policy briefs: *The Future of Small Business in Government*, *Government Funded Business Support* and *The Business Advice Voucher Scheme*. Key recommendations include establishing a network of small business champions across government, focusing publicly funded business support on identified market failures and utilising the expertise of the private sector, including accountants, wherever

possible to avoid duplication of service provision.

Designed to tie into current government policy development, the two-page briefs have been prepared specially for Treasury and DTI ministers as part of the institute's public affairs agenda, and more are in the pipeline on a variety of topics. Visit www.icaew.com/publicaffairs to download the briefs or contact liz.stephenson@icaew.com