



REPORT

Regarding SEEPAD's Activity in 2006

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I. Introduction

According to art. 5.1.2 of the SEEPAD Charter, the General Assembly receives and approves the Council's Report, the Treasurer's Report and the Auditors' Report for the previous year, approves the budget for the next year and approves the structure of the Council for a two year mandate.

The activity in 2006 was in accordance with the provisions of the SEEPAD Charter and with the SEEPAD strategy approved by the General Assembly on April 30th 2006, and was concentrated on accomplishing the purpose and objectives of developing and strengthening the accounting and auditing profession through the member associations, promoting, implementing and using the international standards and professional ethics developed by IFAC, IASB and FEE.

We quote from the White Charter of Corporate Administration in South-Eastern Europe, prepared under OCDE aegis: "The training of accountants auditors must be a priority of the regional technical assistance; the professional bodies must play a major role in the carrying out of training and qualification programs for accountants and auditors; also regional training and qualification programs can be developed saving financial resources and facilitating access to international experience; these regional programs can be developed under the aegis of regional initiatives such as SEEPAD".

II. Actions and Results

In their entire activity, SEEPAD structures have tried to accomplish the tasks established by the General Assembly and the SEEPAD Council. The objectives established by the General Assembly have been achieved as follows:

Objective: Organising seminars for training trainers in IFRS, International Standards on Auditing and Assurance



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- On the 29th of April 2006 a seminar on quality control and ethics was organised in Banja Luka with USAID financing and with the support of the local institute, which was attended by representatives of the member and candidate bodies.
- During 13th and 14th of September 2006 a seminar on “Understanding and Applying International Standards on Auditing, Assurance and Related Services” was organised in Bucharest. Financial auditors, members of the SEEPAD professional member bodies participated in this seminar.

Objective: Organising a seminar on the accountancy profession in Europe, to be attended by the executive structures of the professional bodies

- During the 28th and 29th of October 2006 SEEPAD has organized a regional seminar on “The Accountancy Profession in Europe: exchange of experience from the professional bodies of EU Member States” which enjoyed a great success among the participants, who had interactive debates with the seminar lecturers on current issues at national and European level.

Although the number of organised seminars was smaller than provided in the Action Plan for 2006, the quality and fields of training were appropriate for the needs of member bodies.

Objective: organising working visits and exchanges of experience among the SEEPAD member countries

- A meeting for consultation took place in Russe, Bulgaria, between the SEEPAD President and Vice-president;
- With the support of the DePaul University and Mr. William Phelps, the representatives of SEEPAD members from the Republic of Moldova, Serbia and Bosnia Herzegovina (Republic of Srpska) could participate in the Globalization Roundtable organized by IAAER (International Association for Accounting Education And Research) on the 8th of November 2006;
- Most of the SEEPAD members were represented at the World Congress of Accountants organized by IFAC.



Objective: Issuing the SEEPAD Annual Report

- The SEEPAD Secretariat has issued the SEEPAD Annual Report for 2006, which contains presentations of the most important events from the regional organization's activity in the analysed year. This was distributed to the members with the occasion of the Council and General Assembly meetings organised in Chişinău.

Objective: Transmitting the materials issued by IFAC, IASB and FEE to the member bodies.

Communication with members was achieved by transmitting to them information regarding various events of the international profession as well as information regarding the SEEPAD members. This way, the members received the materials presented during the International Conference on Taxation organized in Bucharest by CECCAR with the support of FEE; a document regarding the "Organisation of Accounting Professions in the EU Member States" for the seminar on the accountancy profession in Europe which was attended by the executive structures of the SEEPAD member bodies; The European Directive 2006/43 regarding statutory audit; with the occasion of the European Day of Liberal Professions organized by the European Economic and Social Committee on the 12th of June 2006, where the SEEPAD President was present, some of the materials presented in this event were transmitted to the members; also the members were informed on the FEE SME/SMP Congress that took place during 7th and 8th of September 2006 in Versailles.

Last but not least, we also have to mention the participation of the representatives of the accountancy profession at the regional program, „The Road to Europe – Program of Accounting Reform and Institutional Strengthening REPARIS” initiated by the World Bank, which took place in weekly sessions, between June 2005 – June 2006 (28 modules) and has been a real school for all the members of our bodies and also for the other actors involved in the regional reforms.



Among the measures established by the General Assembly, less acted upon, was issuing a quarterly SEEPAD Magazine.

We can appreciate that 2006 has been a year of great efforts for SEEPAD, the year when the regional authorities became more and more concerned about the enforcement of the standards, and the accounting profession became more aware of its role in the regional institutional architecture.

III. Exchange of Experience from the Professional Bodies of EU Member States

On the 28th and 29th of October 2006 the South Eastern European Partnership on Accountancy Development (SEEPAD) organized in Kiev its 5th regional seminar on “The Accountancy Profession in Europe: exchange of experience between the professional bodies of EU Member States”. This seminar was attended by representatives from the executive structures of professional bodies from the SEEPAD member countries, and two representatives of important organizations from the European Union were present as speakers: Mr. Bernard Kleiner, Director of the International Development and Partnerships Department of OEC, France and Mr. Federico Diomeda, representative of the Italian profession.

The purpose of this seminar was to exchange experience between the experts from France and Italy and the representatives of South Eastern European countries concerning the organisation and functioning of the profession in the EU Member States and also to exchange experience on a regional level.

The French profession is organized based on the concept that the profession is only one and that audit is an activity (the same situation as Italy) while the Anglo Saxon systems start from control (audit) which embodies all.

The profession’s monopoly represents a guarantee of a service provided to the public, and is not a monopoly of the market; there are high incentives for competition between the players on the market (expert accountants).



We have learned that although in France there are two professional bodies, the difference exists only at a functional level, the profession being unitary. This double model is often invoked in South Eastern Europe, by wrongly focusing on the differentiation of accountancy and audit, when in fact the French profession is unitary.

In the near future, in Italy the unification of the two professional bodies into one body is in progress.

The seminar conclusions were that the diversity in organising the profession must satisfy the fundamental objective of the accountancy profession: satisfying the public interest.

IV. Difficulties and Weaknesses

Besides the difficulties related to regional political, economic and even cultural aspects, the general character difficulties, encountered by any country, have also their characteristics in the region.

Here are some of these characteristics:

1. The enforcement of international accounting and auditing standards supposes the existence of preliminary legislative and institutional conditions, which imply political will – aspects that have not been taken too much into consideration in the decision-making process related to international standards;
2. The scope of international standards is still vague, especially in the field of accounting; some countries have adopted quantitative criteria for including the enterprises in the scope of the standards, others have adopted only qualitative ones, so it is still unclear what kind of standards should be applied by the SMEs/SMPs;
3. The existence of a law on standards' enforcement, in order to make relevant the actions undertaken should not be neglected; even if the profession is more or less involved in the development and enforcement of the standards, the authority of its actions should be stipulated by law;
4. Difficulties related to the translation process;



5. Difficulties generated by the frequent changes and amendments made to the international standards;

6. Confusions regarding the relationship that has to be established between general purpose financial reporting and special purpose financial reporting, for example in the taxation field or for oversight purposes (banking field, insurance, capital markets); in some countries, a single set of financial statements is required for achieving both objectives and inevitably, there is a conflict with the international standards.

7. In some countries, companies may have the option of voluntarily preparing their IFRS-based financial statements, a situation that can lead to uncertainties among the users regarding the actual figures, reducing thus the confidence of the users in the presented financial statements.

8. Audit public oversight is a subversive measure for young democracies in our region where professional bodies are either about to be set up or, even if they exist, they are not very powerful; at least apparently, we have to deal with two objectives that have opposite effects: developing powerful professional bodies and introducing public oversight.

9. Some uncertainties and even some confusions that exist within the international doctrine of the accounting profession may influence the quality of decisions concerning the organization of the profession and the enforcement of standards; a global approach without making a distinction between the two activities – accountancy and audit – often incompatible by reference to the same professional and to the same client – might hide the premises of certain ethical conflicts. In our opinion, the international bodies and the World Bank should give some consideration to studying certain aspects concerning the point of balance between accountancy and audit, between preparing and controlling, between the Accountant and the Auditor.

We consider that it would be necessary that the professional bodies reengage with the support of the World Bank in research for clarifying the doctrinarian aspects of the accountancy profession such as:



- the concept of “accountancy profession” and its component activities; the place of “auditing” in the accountancy profession;
- the “public interest” concept;
- the “regulation”, “co-regulation” and “self-regulation” concepts in the accountancy profession.

10. Structural, technical and financial difficulties. We might talk about some great differences between the levels of professional development within the countries of the region, about the lack of cooperation between the professional bodies and the governmental institutions with authority in the field, about communicational difficulties (language, transport, visas, etc.) or about the lack of financial resources.

11. The new challenges for the European profession that must concern SEEPAD refer to:

- applying the 8th Directive in auditing, especially in regard to its scope and the auditor’s responsibilities;
- the SMEs and PME’s role, that represent over 90% of the EU economy;
- the simplification project drafted by the European Commission: raising thresholds or finding an alternative control method;
- public oversight; it fitted as a glove the governments of the region that understood that they must supervise themselves the profession and this is how the separations in the profession occurred.

The idea we introduced was that the endorsement of the 8th Directive provisions should be done on two levels and with two speeds: at EU level and at national level; also the speeds should be different depending on the level of development of the profession – one speed for the countries where the profession is strong and another speed for the countries with a young democracy where the professional bodies are weak or they have not appeared yet.

V. About the Members

In the year 2006 there were some modifications in the number and structure of the SEEPAD members. At December 31st 2006 the number of SEEPAD members increased to 11 full members and 2 observer members;



the newly arrived are TURMOB and UFPAA and the observer members are OEC and CNCC.

The SEEPAD Council on the 10th of February by Decision no. 2/C (art. 8) acknowledging that the requirements of art. 3 of the Charter regarding membership are met, adopted the SCAAK application and decided that the association will participate in all the actions SEEPAD organizes until the next General Assembly.

We salute the recent regulations in Macedonia (FYR) regarding the creation of professional structures and we invite these structures to apply for SEEPAD membership.

VI. The Functioning of SEEPAD Structures

The SEEPAD Council that, according to its Charter, is to meet each semester, met twice during 2006: in April and in September and considered the manner in which measures are taken in order to achieve the actions approved by the General Assembly.

For better scheduling the meetings, the SEEPAD General Assembly, through its Decision no. 9 of April 30th, 2006, decided the dates and venues for the future meetings of the SEEPAD management structures for 2007 and 2008.

The SEEPAD Executive was ensured by the CECCAR staff after the end of the Executive Director's mandate.

VII. Assistance from International Organisations

During 2006 SEEPAD benefited in all performed actions from the support, including financial, from ACCA and USAID as well as promotion and support from CARANA Corporation, and the encouragement and moral and material support of the French and Italian professions.

The SEEPAD-ACCA Agreement that will expire in the following period brought benefits to the accountancy profession in the region, even if the parties did not fully achieve its provisions; the most important unrealized



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provision of the Agreement referred to a program designed to ensure the self-financing of SEEPAD starting from 2007. In the recent correspondence ACCA expressed its wish to extend the Agreement with SEEPAD with more realistic financing conditions.

VIII. Directions for Action in 2007-2008

SEEPAD wishes to consolidate its ability to act as a regional institution, to facilitate providing additional resources to the member professional bodies, to accelerate the development of abilities and competencies of the South Eastern European profession and to assist the member professional bodies in observing the Statements of Membership Obligations (SMO 1-7) issued by IFAC.

The big issues that the accountancy profession of the region deals with are:

- Relationship with the government;
- Professional training and development;
- Some professional bodies, members of SEEPAD, did not succeed to complete Part II of the IFAC Compliance Program; IFAC is going to request a Part III that will refer to the Action Plan and SEEPAD must support its members. By applying the BISTA initiatives many of the objectives in the SEEPAD strategy will be achieved.

After seven years of activity we deem necessary an examination and a review of the SEEPAD constitution in order to reflect and ensure the opening and at the same time the integration and active participation of SEEPAD in solving the European and international accountancy profession's problems based on the standards and regulations issued by IFAC and FEE.

The SEEPAD Action Plan for 2007 is submitted for debate and approval of the General Assembly and includes actions with the purpose to accomplish these directions for action of SEEPAD for the following period.