



# Monthly International News

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## **PCAOB Publishes Updated Staff Guidance Related to Registration Process for Applicants from Certain Non-US Jurisdictions**

The Public Company Accounting Oversight Board today announced a staff guidance update related to the registration process for applicants from non-U.S. jurisdictions where the PCAOB is prevented from inspecting PCAOB-registered firms. The affected jurisdictions currently are the 30 European countries that are required to follow the European Union's Directive on Statutory Auditors, China, Hong Kong, and Switzerland.

The new guidance appears in an addition to the staff answers to frequently asked questions relating to registration of non-U.S. firms. The guidance alerts applicants from the affected jurisdictions that the staff intends to recommend that the Board request certain additional information before acting on those applications, and it explains how an applicant can seek to avoid delay by including the information when it first submits the application.

The information includes identifying information about public company audits in which the applicant has recently played, or expects to play, any role, and identifying information about other PCAOB-registered firms in whose audits the applicant expects to play any role. The additional information will facilitate the Board's understanding of the scope and nature of the applicant's activities related to SEC-reporting companies.

Under the Sarbanes-Oxley Act of 2002, auditors of financial statements that issuers file with the Securities and Exchange Commission must be registered with the PCAOB and must undergo regular PCAOB inspections to assess their compliance with U.S. law and professional standards in connection with those audits. The PCAOB has conducted more than 1,300 inspections of registered firms in the United States and 33 non-U.S. jurisdictions but, due to positions taken by local authorities, has been prevented from conducting inspections in the European Union/European Economic Area, Switzerland, China and (to the extent an audit encompasses a company's operations in China) Hong Kong. Information on the Board's continuing efforts to conduct inspections in those jurisdictions is available on the PCAOB Web site, along with a list of issuers that have recently filed financial statements audited by registered firms in those jurisdictions. The revised staff FAQs include a complete list of the affected jurisdictions, which will be updated as appropriate.

[http://pcaobus.org/News/Releases/Pages/06012010\\_GuidanceForNon-USJurisdictions.aspx](http://pcaobus.org/News/Releases/Pages/06012010_GuidanceForNon-USJurisdictions.aspx)

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### **IASB Writes to G20 to Delay Deadline**

The International accounting rulemaker said it will not reach full convergence with US accounting rules by its June 2011 deadline, following concerns there was not enough time to fully consider the implications of new rules.

International Accounting Standards Board chairman (IASB) Sir David Tweedie and his US counterpart, Financial Accounting Standards Board (FASB) chairman Robert Herz, wrote to G20 leaders as they met in Gwacheon City, South Korea, informing them of the delays.

The pair said while "many of the projects" will be completed by the June 2011 deadline, "the target completion dates for a few projects have extended into the second half of 2011".

Both FASB and the IASB has come under pressure to push back their timetable following concerns from accountants, businesses and analysts that they would be bombarded with standards, preventing them from offering meaningful feedback.

The boards would have had to release 10 standards by July to maintain their June 2011 commitment.

Overnight, US Securities and Exchange Commission chairman Mary Schapiro also released a statement where she said she believed the extension would "contribute to increased quality in the standards".

Schapiro has previously made US adoption of international standards conditional upon reaching the 2011 deadline, among other benchmarks.

Yesterday, she said she considered the delayed timetable "time that is well invested".

"Quality financial reporting standards established through an independent process are threshold criteria against which the Commission's future consideration of the role of IFRS in the U.S. reporting system will be based," she said.

"I am confident that we continue to be on schedule for a Commission determination in 2011 about whether to incorporate IFRS into the financial reporting system for U.S. issuers."

<http://www.accountancyage.com/accountancyage/news/2264076/iasb-writes-q20-delay-deadline>

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### **Cross-Border Rules Hampering ASEAN Trade, Say Industry Players**

Southeast Asian nations must coordinate efforts to cut cross-border red tape and promote regional road transport as they move towards a common market, industry players said Monday.

Better links among the 10-member Association of Southeast Asian Nations (ASEAN) could reduce transport costs while boosting intra-regional trade and economic welfare, they said.

ASEAN is working towards establishing by 2015 a single market and manufacturing base of about 600 million people.

But business leaders and other experts at an international forum said there are still too many bureaucratic hurdles to a free flow of regional goods.

"There is no holistic approach to the supply chain from the governments' perspective, from any government's perspective," said Steven Okun, vice-president for public affairs with Singapore-based shipping firm UPS.

He said "there isn't the political will yet for ASEAN to look at these as a group of 10 countries... If we can do it collectively, trade within ASEAN is really going to grow."

He was speaking at the World Economic Forum on East Asia (WEF), a gathering of global business leaders and regional politicians.

A WEF study released ahead of the meeting said that, although Singapore leads the world in facilitating trade, significant barriers remain in the rest of the ASEAN region.

Singapore kept the top rank it held in last year's study, but five other ASEAN members fell.

Barriers to trade in ASEAN "remain many and significant", primarily in border administration and transport infrastructure, said Thierry Geiger, a co-author of the study.

[http://www.channelnewsasia.com/stories/afp\\_asiapacific\\_business/view/1061568/1.html](http://www.channelnewsasia.com/stories/afp_asiapacific_business/view/1061568/1.html)

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### **CIMA Elects New President**

UCM Timber Group FD George Glass has been made the new president of CIMA.

Glass has been in the CIMA council since 2000 and chaired the institute's technical committee from 2005 to 2007. He has been a member of CIMA since 1977.

Glass said: "At a time when economic recovery is still looking precarious in many regions of the world, and with urgent threats to the environment, CIMA members have never been so key to driving the global economy forwards.

"In order to do this, it is important that organisations around the world are working to long-term business models. We need to make our businesses sustainable in the long-term, both commercially and environmentally."

The new deputy president for CIMA is Harold Baird, to construction company SJ Anderson & Sons, while the vice president is Gulzari Babber who runs his own accountancy practice in Harrow.

<http://www.accountancyage.com/accountancyage/news/2264314/cima-appoints-president>

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### **IMF to Focus on Recovery from Global Financial Crisis**

The International Monetary Fund (IMF) said it would focus its activities on securing the recovery from the global financial crisis and making progress in its governance and mandate reforms for the period ahead.

Recent events clearly show that the global economy remains vulnerable, and that important work remains to be done to secure the recovery and prevent future crises. The IMF must adapt to new challenges and make sure that it has the right tools to assess and mitigate risks to global stability and, when crisis prevention efforts are not enough, the right instruments to restore confidence," Managing Director Dominique Strauss-Kahn said.

The work program envisages that the IMF will deepen its policy dialogue with member countries, in addition to the regular analysis of global economic and financial conditions in the World Economic Outlook and the Global Financial Stability Report.

The IMF will be refining its ability to identify vulnerabilities in individual countries early on, drawing lessons from the responses to the recent financial crisis, and examining issues relating to the long-term fiscal sustainability of countries. In addition, the IMF will continue to support the G-20 Mutual Assessment Process.

With regard to financial market regulatory architecture, the work program envisages that the Executive Board will be discussing implications of financial regulatory initiatives across countries, as well as options for a fair and substantial financial sector contribution to cover the burden associated with government interventions to repair the banking system.

In the period ahead, low-income countries (LICs) will remain a priority for the Board. The IMF is expected to sketch a framework for analyzing how shocks translate into vulnerabilities in various sectors in LICs and publish a study on exit strategies and post-crisis policies for LICs.

IMF said substantial work remains to be done to complete the Fund's quota review before January 2011, and the work program envisages discussion of various aspects of governance and quota reform during the summer. A status report will be issued ahead of the Annual Meetings in October 2010.

Boosting the quality and effectiveness of surveillance will remain central to the review of IMF's mandate. In this context, spillover reports, which will cover all five major economies (China, Euro Area, Japan, United Kingdom and United States), are planned for the next 18-24 months.

The Board will consider various options to strengthen the Fund's crisis prevention toolkit, including improvements to the Flexible Credit Line, and will continue to discuss options to promote the long-term stability and proper functioning of the international monetary system.

<http://au.ibtimes.com/articles/27574/20100610/imf-global-financial-crisis-governance-mandate-reforms.htm>

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## **IASC Foundation Picks New Chairman**

The International Accounting Standards Committee Foundation, which oversees the International Accounting Standards Board, has selected Tommaso Padoa-Schioppa as the new chairman of its board of trustees.

Padoa-Schioppa is the former Italian minister of economy and finance. He also briefly served as chairman of the IASC Foundation Trustees from January 2006 to May 2006 before becoming minister of economy and finance. His appointment was approved Friday by the Monitoring Board that oversees the IASC Foundation and the IASB. He will take over the role of chairman from Gerrit Zalm, whose term expires this year, after the trustees' meeting on July 7 and 8.

The IASC Foundation will be changing its name to the IFRS Foundation on July 1 to reflect its emphasis on International Financial Reporting Standards.

"I am honored to be asked to return as chairman of the IASC Foundation Trustees," Padoa-Schioppa said in a statement. "The G-20 and others have recognized the importance of achieving a single set of high-quality accounting standards, applied consistently throughout the world's capital markets. I look forward to working closely with the Monitoring Board, my fellow trustees and the foundation's stakeholders around the world in order to achieve this important objective. I would also like to thank Gerrit Zalm for his strong and determined leadership of the IASC Foundation throughout his two-and-a-half years as chairman."

<http://www.webcpa.com/news/IASC-Foundation-Picks-New-Chairman-54700-1.html>

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## **IFAC to G20: Governments Should Practice What They Preach, Follow Rules Like the Ones They Set for Public Companies**

In a letter issued this week, the International Federation of Accountants (IFAC), the global organization for the accountancy profession with members and associates in more than 120 countries, calls for broad and swift action by the G-20 leaders at their June 26-27 meeting in Toronto, Canada, to greatly improve government transparency and accountability as a means toward global fiscal sustainability.

"Governments require that private sector companies report high-quality financial information to their investors and stakeholders. It's time for the public sector to practice what it preaches," said Ian Ball, CEO of IFAC. "The problems associated with public finance and government debt require a coordinated, international approach that global leaders have been slow to address. Sovereign debt concerns in European countries illustrate the stark implications and urgency of this issue – confidence in sovereign debt has been seriously damaged by accounting and auditing failures. These failures have occurred not only on the national level but also on the regional, state and local levels."

Taxpayers, investors and citizens in all nations are entitled to accurate and complete financial information about their governments, according to IFAC. They should demand that their governments provide a comprehensive picture of fiscal performance and position. This includes an accrual-based measure of surplus or deficit as well as full details of debt, other liabilities, contingent liabilities and guarantees, and future expenditures and the resources needed to support them.

IFAC's letter contains several specific, actionable recommendations, including:

### The G20 Should Encourage Governments to Adopt Accrual-Based Accounting

Cash basis accounting, which is employed by governments in some of the world's largest and most interconnected economies, lacks transparency and accountability. It does not measure many of the assets and liabilities necessary to assess fiscal policy and fiscal sustainability. Governments should instead adopt accrual-based accounting, which is required of public companies in all countries. This would provide a much better indication of all of a government's liabilities, significantly improve the quality of financial management, and provide better information for all stakeholders.

"Despite the clear benefits of accrual-based accounting – and the fact that governments require it for public companies – many governments continue to use cash accounting," continued Mr. Ball. "Politicians often criticize businesses for being focused on short term financial results, but the typical public sector financial report does not adequately reflect all assets and liabilities, some of which have significant long term financial implications. Indeed, many countries have substantial civil service pension liabilities that are not reflected in their financial reports at all. Accrual accounting will compel governments to take a longer term view and be honest with citizens about how today's decisions will need to be paid for by future generations."

### Improve Transparency and Accountability of Stimulus Programs and Bailouts

The global financial crisis has forced governments to act quickly to alleviate the collapse of financial markets and prevent problems from spreading from one country to the next. Many governments have launched unprecedented stimulus programs, to provide jobs, economic activity and long-term investment in domestic industries, and bailout plans, to provide monies for banks, purchase "toxic" assets, and modify loans for mortgage-holders. These actions will result in new assets, liabilities, and contingent liabilities being assumed by governments, all of which have long-term economic implications.

These stimulus and bailout programs must have mechanisms for clear, comprehensive financial reporting so that their actual and intended outcomes can be understood by investors, taxpayers and other stakeholders, are measurable, and restore confidence in government fiscal transparency. These mechanisms will also help prevent inefficiency, mismanagement and corruption.

### Adopt International Standards to Improve the Quality of Financial Information

Global accounting and auditing standards for both the public and private sectors will improve the quality of financial information around the world and make it more consistent. This, in turn, will facilitate the comparability of financial information, create a more level playing field for global investors, facilitate cross-border investment flows, and enhance economic and financial stability.

"We urge the individual G-20 governments to adopt and implement common global standards for public sector accounting – as well as for auditing, auditor independence and private sector accounting – as a demonstration of their leadership on these global issues," Mr. Ball said.

Importantly, public sector accounting standards will provide better information regarding systemic risks associated with government debt and liabilities. While the use of international standards would not necessarily have helped avoid the current crisis, the financial information from such standards would help public officials and other groups assess the implications of governments' fiscal decisions, and could have mitigated the current crisis and help prevent future crises.

"It is critical for taxpayers, investors and the general public to understand the full impact of decisions made by governments with respect to their financial performance, financial position and cash flows," concluded Mr. Ball. "As the stewards of taxpayer funds, governments must be

accountable for and transparent about the financial impact of their decisions on this and future generations. Anything less is a serious violation of the public trust.”

The letter to the G20 with the full recommendations is posted on the IFAC website ([www.ifac.org/financial-crisis](http://www.ifac.org/financial-crisis)).

<http://press.ifac.org/news/2010/06/ifac-to-g20-governments-should-practice-what-they-preach-follow-rules-like-the-ones-they-set-for-public-companies>

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