

FEE/CNDCEC Congress
Remarks by Robert Bunting
President
International Federation of Accountants
Venice, Italy
April 16, 2010

Thank you, Stephan. It's a pleasure to be here this afternoon and good afternoon to you. Like you, I'm contemplating a longer stay here than I anticipated, but it's OK. In fact, it's wonderful.

As you know, [and] as I'm sure speakers have mentioned earlier in this conference, Venice is the place where accounting was invented by Luca Pacioli. And, of course, Venice is famous for a Venetian merchant who opened up the Eastern routes of the trade: Marco Polo. But I'll come back to that in a minute.

First, I'd like to congratulate our host, CNDCEC [Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili]. I'm sorry, Claudio, I can't say the whole name. I'm an American and Italian just does not flow from my lips. But I would like to thank you for your interest in SMP [small and medium practice] and SME [small- and medium-sized entity] issues.

I know that Italy is a hotbed of entrepreneurialism, where small companies manufacture very high-quality consumer goods and sell them throughout the world. Most of those companies are family owned and most of those companies are served by SMPs.

Italy contributes greatly to IFAC. We have a number [of members] from the [Italian] member body on the IFAC Board and, of course, we have a very important member on the SMP Committee. Italy has also done the translation of the ISAs into Italian, which [will be] critical for adoption of the ISAs by the European Union.

I'd also like to thank FEE [Fédération des Experts Comptables Européens]. I believe that FEE defines for IFAC what a regional organization ought to be. It's certainly the largest and, I believe, the best organized of all of the IFAC-recognized regional bodies. I congratulate you on

holding this conference, and I believe that you are doing something very important for one of my pet projects.

Why is it one of my pet projects? I do not pretend to be an SMP. My firm has over 1,500 professionals in it. But, we serve SMEs. We serve a lot of SMEs. We believe they are critical to the functioning of the U.S. economy and critical to the functioning of almost all economies, and I will again come back to that.

But I'd like to revisit the inventor of accounting. Because there's a message from Luca Pacioli to all of us. And that is that he was a mathematician by training because there were no accounting programs at any university in 1494. He went to work for a Venetian merchant, Rompiasi. Rompiasi was conducting ventures all over the world to conduct trade. Each venture would have different investors. Pacioli, the mathematician, invented a double-entry accounting system to support his SME employer.

Now what's the lesson for us? There is a small-medium practitioner—the very first accountant—who was very creative in serving a small- to medium-sized entity. He did not have a regulator to tell him what the standards were. He did not have a university education to tell him what the standards should be. He was a mathematician and he created the accounting profession and created the first set of standards for double-entry accounting.

I'd like to touch on Marco Polo. Marco Polo actually preceded Pacioli by 200 years. He was an SME. Marco Polo was also very innovative, because he was willing to venture out to Venice and open up trade routes, at great risk to himself.

He was the first European to meet Kubla Khan, [and he] established a very lucrative trade merchant business. He did not have the benefit of Pacioli's accounting efforts and I'm quite surprised that he survived without an accountant. But I'd like to emphasize that he too was an innovator. And this is what I believe this conference is about.

This is a conference of SMPs on serving SMEs. SMEs continue to be great innovators. SMEs are often started by one or two individuals or a family. Sometimes they become very large PIEs [public interest entities]. In my own country, Microsoft and Google are two examples of this. In Europe there's IKEA, and I know there are many, many other examples.

Because SMEs innovate, their SME service providers must also be innovative. I believe you must be more than mere advisors on compliance with rules and regulations or mere providers of financial information. Because your innovative SME clients need more than that.

I know that there was a panel of SMEs yesterday in the opening. And from what I understand, they said that you needed to go beyond the rules—you needed to go into proactive advice. You needed to assist them in being successful. You needed to be proactive, not reactive. And I believe those are messages that anyone who serves that community needs to hear.

Now I know that FEE gets this message. In collaboration with you as member bodies and as practitioners, they act on your behalf with the European Commission. They provide input on international standard setting. They do things to help frame the debate. They do innovative things, like looking at alternative assurance models for SMEs, or at least getting input on that. They do thought leadership. I know there's a paper from FEE on sustainable policy for SMEs. And they do member collaboration. They help us with the notion that I call "one voice"—finding those things we all have in common, that we can all say together and be more impactful with—and I'll come back to that notion, as well.

IFAC also contributes to SME issues and SMP issues. We do it in ways that are unique to a global organization. We do not try to replicate the activities of a regional organization, like FEE. We do not try to duplicate the activities of your national organization, your national member body. We try to offer our unique contribution.

Certainly one way we offered a unique contribution was last year in London we convened the member bodies from the G-20 nations and we said, what do we as the accountancy profession want to say together to the G-20 finance ministers? And we got concurrence on six major

recommendations that we wanted to make together to the G-20 ministers. And we agreed that we would first make that recommendation as IFAC to all of the G-20. But then the member bodies individually would reinforce that message with their own national finance ministers. And this is what I call “power of the IFAC voice.”

Many of us have different views as to how to serve the needs of SMPs. And if we’re talking to regulators—if everyone in this room expresses his or her own opinion separately, and those opinions conflict with one another—the regulators will ignore us. And we would deserve to be ignored.

But, if we come together and find the things that we think are most important ... and find the things we can agree on ... and then we say those things in pretty much the same way, a thousand different times to a thousand different people ... the same message...it is so much more powerful. It is so much more influential. It is so much stronger than a thousand voices saying a thousand different things. This is where IFAC and FEE and the member bodies can work together to influence policy.

I know Sylvie Voghel, chair of the SMP Committee, did a session earlier today on implementation of ISAs for small- and medium-sized entities. I do want to say that IFAC, through the SMP Committee, has a number of things that it does that can uniquely contribute to the SMP community.

The *Guide to Using International Standards on Auditing in the Audit of Small- and Medium-sized Entities* is one example. I know that that was issued first in December of 2007, and a new clarity version of that is going to be issued later this year. A [revised] guide to quality control for use by SMPs based on ISQC 1, the guide to practice management for use of SMPs, will also be released this year. And the SMP Committee has also just published a paper providing information for SMPs in providing business services—innovative business services, alternatives to compliance services—to SME clients. Finally, IFAC has a website. You can go to the IFAC website, [and if] you go to the SMP area, you’ll find a wide range of resources—some of which have come from member bodies—designed to serve the needs of SMPs.

Now we don't pretend that this is enough. In fact, we hear from SMPs and member bodies all the time that we need to do more for the SMP community. Each year, CEOs of member bodies come to New York, and we have a meeting to gain input on [IFAC's] strategy. Last year, at the CEO meeting we considered a proposal that was put forward by a grassroots group called the Edinburgh Group. That group wanted to form a collegial group of SMP practitioners who [would] influence a broad array of services and influence the SMP community in regulation.

The proposal was innovative, but ... it did not enjoy wide support.

So this year, in February, we convened CEOs from member groups, and they said, what can we agree on? [How] can we move from a thousand different voices to one voice repeated a thousand times? And, before that we had convened a special task force, which was chaired by a person who participates in the Edinburgh Group. And this task force went out and said, what do we need to do for SMPs? And they came back with a series of recommendations—16 in total.

SMPs need more voice and visibility and communications in the areas of influence. SMPs need to be involved more effectively in policy making and regulation as it applies to themselves and their SME clients. SMPs need more practical support [and] helpful guidance [on] ways that they can better implement global regulations and standards. They need assistance and participation in the strategic planning of IFAC, so SMP/SME issues are reflected in IFAC's DNA. And they need better representation.

We took all of these 16 recommendations and, for a day and a half, the CEOs of most of the large bodies and several of the smaller bodies worked together to see where we had consensus and came away with a level of consensus on all 16 of the recommendations put forth by the task force. This is another example where IFAC is trying to collaborate with our member bodies to come to an answer that we can all support and that we are all willing to work for.

Now where is this going to go? The Strategic Planning Committee of IFAC is in the process of developing its 2011-2014 strategic plan, which will be presented at the Council Meeting in

November. That group has taken these recommendations—the indications of support from member bodies and the IFAC Board. The IFAC Strategic Planning Committee is now tasked with the job of implementing those through the strategic plan. The task force that came up with those recommendations is tasked with following those recommendations into the plan, to see that they are adequately and appropriately reflected in the plan. And in September, the Board of IFAC will consider the strategic plan and how those and other IFAC strategies are reflected.

Now, we believe that, in addition to that, the issue of sustainability is important. I know that FEE is very interested in the sustainability issue. IFAC has been invited to participate both at the working group level and at the oversight level with the Prince of Wales' Accounting for Sustainability Task Force, which is now ready to go global, which is now ready to become a global enterprise. IFAC will be providing an individual to sit on the Steering Committee of that group, and Ian Ball, the CEO of IFAC, will be on the technical working group of that committee.

And finally, the IAASB is charged with doing impact analysis—cost/benefit analysis—on the ISAs. And this is an area where it's very important for SMP input to be seen and heard. Because the real issue for ISAs—or at least one of the real issues for ISAs—is their scalability to the small enterprise. And this is our opportunity to assess, in an objective way, whether ISAs are cost effective across the full spectrum of the areas where they are supposed to be implemented. So that's IFAC's role.

I believe that gatherings like this, sponsored by our Italian body and sponsored by FEE, are a great way to gather input—both to be educated, but also to gather input. But what I charge you with, is to do what Pacioli did. Pacioli did not have any tools. Pacioli did not have any systems. Pacioli did not have any guides. And as a small practitioner or an SME accountant—whichever he was when he invented accounting—he innovated. He innovated and he created an accounting profession as part of that.

I believe we have the same challenge and opportunity to innovate for the SMP sector in service of this very, very important SME sector. I thank you for letting me be part of this conference. I appreciate the fact that I'll probably be seeing you in the streets of Venice over the next couple

of days and I'll wave to you. And so again, I thank you, and I appreciate the opportunity to be here.

Now, in parting, I'm going to do a short commercial. Actually, I'm not going to do it at all, I'm going to introduce a short commercial. We are, after all, involved in business and commerce. IFAC is a sponsor of the World Congress of Accountants 2010. That's where I'll be saying goodbye to my friends at IFAC as president. And I would hope that you will all consider making yourself heard once again when we talk about sustainable value in the profession at the World Congress of Accountants 2010. And here's a short video to remind you what it's going to be about. Thank you.