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International Federation of Accountants

Good afternoon, ladies and gentlemen. I am truly delighted to be here today to participate in this important event. Many thanks to Mr. Ádám Balog, Deputy State Secretary, Ministry for National Economy, and Dr. János Lukács, President, MKVK, for hosting the meeting and inviting me to participate.

As we stand here today, the world is still affected by the financial crisis and the economic environment. Here in Hungary, the government is making strides to cut the budget deficit—and that is very positive. But of course there are countries within the EU and all over the world that are still being affected by the broader global slowdown.

So what can we—what *should we*—do?

Certainly, significant financial reforms are being considered in different parts of the world. IFAC's view is that we need to build a sustainable business environment and a strong financial architecture.

Financial infrastructure—in the form of high quality, recognized standards in auditing and assurance, ethics, education, public sector accounting, and related regulation—is the only way that we can achieve broad-based, sustainable economic development.

We also need to nourish small- and medium-sized entities—what we at IFAC consider to be engines for growth and employment, and vital to the sustainability of economic development.

These businesses have a more difficult time obtaining capital and credit, have fewer resources, and can find it challenging to meet regulatory and compliance requirements in a cost-effective way.

And this sustainable business environment, strong financial architecture, and consideration of SMEs need to be supported by a strong accountancy profession.

So let me talk a little about these areas.

The program for today asks if the Green Paper was a “wake-up call.”

Let me point out that IFAC implemented reforms in 2003, in response to a previous “wake-up call.” And, since then, we have been continuing to work for the sustainable development of a high-quality profession worldwide.

Was the Green Paper a “wake-up call”? I think the financial crisis was the wake-up call. As we said in our response to the Green Paper, IFAC believes that the experience gained during the recent financial crisis presents a historic opportunity to improve the global financial system.

There is much that the regulatory community can learn from the recent history of the accountancy profession, from both our failures and successes. And there is much that we can learn, as well.

Further strengthening audit standards and the practice of auditing is one of IFAC's key objectives. The Green Paper challenged the role of financial statement audits, and IFAC's messages—on behalf of the global accountancy profession—were simple and clear: international standards are essential for a sound and stable global economy, and the accountancy profession has a key role to play in ensuring economic growth and stability and protecting the public interest.

Why are international standards so important?

They foster high-quality financial information. And high-quality financial information, in turn, increases comparability, consistency, clarity, credibility, transparency, and—as a result—stability.

They support more effective and efficient capital markets.

They foster confidence in the markets of emerging nations, which increases international investment.

They enhance the effective management of public resources.

They facilitate regional and international economic integration.

In brief, they protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

Some of the concerns mentioned in the Green Paper are already being addressed. For example, the International Auditing and Assurance Standards Board (IAASB) recently issued a consultation paper—*Enhancing the Value of Auditor Reporting: Exploring Options for Change*—on reporting by auditors and audit committees. Investors and financial analysts want additional, and more pertinent, information for their decision making.

The paper describes issues with current financial reporting, including a perceived “information gap,” identified by some stakeholders, and seeks input on possible options for change.

Another area we focused on in our response to the Green Paper was that any legislation, regulation, or standards need to be judged, in part, through the prism of the SME sector. This sector is crucial to economic growth and stability—both nationally and globally—and we must be wary of any unreasonable burdens that may hamper that growth. Meeting the needs of the SME sector and the small and medium practices that support them remains a key concern for IFAC.

In fact, during 2010, we devoted more resources to help SMPs provide high-quality professional services to their SME clients. These resources include the ISA Guide for Small and Medium Audits and the Quality Control Guide for SMPs—two very important implementation resources. In addition, we increased our efforts to raise awareness among regulators and policymakers of the special challenges impacting SMPs and SMEs.

Finally, I'd like to spend a few moments on the recently-established Private Sector Task Force of Regulated Professions and Industries. This task force has been facilitated by IFAC. It is comprised of private sector representatives from professions and industries subject to regulation, including accounting, auditing, investment, banking, insurance and related areas.

Why did we form this task force?

The ultimate goal is to facilitate economic stability in the world's capital markets. To do this, the task force will provide private sector input to the G-20 regarding financial policy and regulation, to help the G-20 in its objective to achieve a level playing field. The taskforce is planning to provide a report to the G-20 Deputies in September. This report will provide an overview of regulatory convergence worldwide—a critical issue for the capital markets. It will look at the impact on global financial stability. And it will advise on ways to advance convergence.

IFAC is pleased to be able to facilitate this task force and we feel it will truly help support a sustainable business environment and a strong financial architecture.

When I look back on the past several years—you know, we didn't know how big, and how deep, the global financial crisis would be. And we didn't know the effect it would have on the world.

But I feel confident—looking back and looking forward—that we are taking the right steps to avert a future crisis, to provide positive leadership, and to contribute to broad-based, sustainable economic development around the world.

Thank you.

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