



THE INSTITUTE  
OF CHARTERED  
ACCOUNTANTS  
IN ENGLAND AND WALES

15 January 2010

European Commission  
Secretariat General  
Unit D1  
B-1049 Brussels

By email: EU2020@ec.europa.eu

Dear Sir / Madam

### **CONSULTATION ON THE FUTURE EU2020 STRATEGY**

The Institute of Chartered Accountants in England and Wales (the ICAEW) is pleased to respond to your request for comments on the *Consultation on the Future "EU2020" Strategy* published in November 2009.

The ICAEW is listed in the European Commission's Register of Interest Representatives (identification number: 7719382720-34).

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours sincerely

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## ICAEW REPRESENTATION

### CONSULTATION ON THE FUTURE “EU2020” STRATEGY

Memorandum of comment submitted in January 2010 by The Institute of Chartered Accountants in England and Wales, in response to the European Commission working document *Consultation on the Future “EU2020” Strategy* published in November 2009.

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## INTRODUCTION

1. The Institute of Chartered Accountants in England and Wales (the ICAEW) welcomes the opportunity to comment on the working document *Consultation on the Future “EU2020” Strategy* published by the European Commission.
2. The ICAEW believes that this exercise constitutes a valuable opportunity to re-evaluate the current policy environment and to define a successor to the current *Lisbon Partnership for Growth and Jobs*. The “EU2020” Strategy must help the EU deliver sustainable economic growth while genuinely strengthening the competitiveness of European enterprises during the next decade.

## WHO WE ARE

3. The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 132,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 775,000 members worldwide.
4. Our members provide financial knowledge and guidance based on the highest technical and ethical standards. They are trained to challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity. The Institute ensures these skills are constantly developed, recognised and valued.
5. The ICAEW has been present in Brussels for over a decade, facilitating dialogue among stakeholders on key public policy issues and providing technical advice across a broad range of topics including financial reporting, audit, business law, ethics, corporate governance, financial services, tax, enterprise, skills, regulation and sustainability.
6. The ICAEW is listed in the European Commission’s Register of Interest Representatives (identification number: 7719382720-34).

## MAJOR POINTS

### Strategies to enhance and maintain sustainable economic growth in Europe

7. Ahead of the European Parliament elections in June 2009, the ICAEW identified seven priority areas that need to be addressed in order to put member states’ economies on track for long-term and low-carbon economic growth,<sup>1</sup> namely:
  - Put sustainability at the heart of policy
  - Enable enterprises to innovate and prosper
  - Rebuild confidence in financial services
  - Maintain high quality financial reporting and company law
  - Develop skills for a globalised world
  - Support sustainable economic growth in developing countries
  - Make regulation straightforward and transparent
8. We firmly believe that action on these priorities will help lay the foundations for the EU to emerge from the crisis stronger and better placed to compete in the global economy of the future. We are encouraged to note that many of the priorities within our document are reflected in the *Consultation on the Future “EU2020” Strategy*.

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<sup>1</sup> European Elections 2009: 7 priorities to sustain and enhance sustainable economic growth in Europe – copy attached.

9. Building on our seven strategies for sustainable economic growth, our comments in this document focus on several themes which we agree must be at the heart of the future “EU2020” Strategy, including:
- A competitive and innovative enterprise economy
  - Low carbon and sustainable economic growth
  - An inclusive, knowledge-based economy
10. The single market has been a cornerstone of Europe’s prosperity, helping to deliver growth and jobs. It is critical that the EU continues to champion open markets in and beyond Europe, rejecting protectionist arguments which tend to resurface particularly in times of economic trouble. We note that Professor Mario Monti has been recently tasked with preparing a report containing options and recommendations on relaunching the single market. We believe that it will be vital to ensure synergy between the “EU2020” Strategy and any potential initiative to relaunch the single market.
11. A restrained fiscal environment will be the critical context against which wider public policy priorities in Europe are framed in the next years. Public money will need to be spent efficiently and effectively. We believe that this will require EU institutions and member states to set the tone for good financial management and ensure value for taxpayers. Spending decisions must reflect the new priorities agreed in the “EU2020” Strategy while also being based on clear, transparent objectives and costs. Sustainability considerations should constitute an important element of the assessment of outcomes and performance.

## RESPONSES TO SPECIFIC POINTS

### A competitive and innovative enterprise economy

12. The SME sector forms a vital part of the European economy; its resilience will be a key factor in Europe’s long-term economic growth. Small businesses must continue to be helped to survive the current difficult economic circumstances, to reap the benefits of the single market and to create sustainable economic value over the longer term. Doing business in Europe must become easier and more rewarding. The adoption of the *Small Business Act* was an important step towards a more modernised approach to enterprises – but there remains much to be done to encourage a competitive and innovative enterprise economy able to compete globally.
13. We take this opportunity to highlight the following points:
- **Enterprises’ ability to engage in global activities must be promoted.** Our annual survey of members working in enterprises points to a convergence of strategies for dealing with globalisation. However, our *2009 Global Enterprise Survey* indicates that businesses in the EU believe they still struggle against a less business-friendly environment than their peers in the US, Asia and the Gulf.<sup>2</sup>
  - **Business access to finance should continue to be a priority issue.** Innovative enterprises, with high growth potential but also high risk, face serious problems in accessing appropriate forms and quantities of finance. We continue to encourage further action to ease access to credit, to enhance awareness of funding alternatives and to encourage equity-based finance, including venture capital.
  - **A significant increase in R&D investment is required.** The existing Lisbon Strategy target of 3% of GDP must be met by all member states. We strongly support measures to further encourage private sector investment in R&D.
  - **More attractive conditions for innovation and creativity are needed in the EU.** Enhancing businesses’ ability to commercialise innovation is key. Strong business and financial management is essential for the successful commercialisation of innovation. A

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<sup>2</sup> To compile the 2009 ICAEW *Global Enterprise Survey* ([www.icaew.com/enterprise](http://www.icaew.com/enterprise)), interviews were conducted with 101 businesses throughout the EU, 100 businesses in the US, 280 businesses in Asia (Hong Kong, Singapore and Malaysia) and 62 businesses in the Gulf.

new Community innovation policy (further to the public consultation concluded in November 2009) must form a vital part of the “EU2020” Strategy and work on both initiatives should be closely aligned.

- **Enterprise training can motivate entrepreneurial aspiration and help develop commercial awareness.** Training should be directed both at potential entrepreneurs who are considering starting new businesses in the short term and, more generally, at young people by providing them with the opportunity to engage with the business world at an early age. Greater integration of financial and commercial skills in vocational, technical and specialist training will support the commercial success of start-ups.
- **Ongoing efforts are required to ensure a suitable regulatory environment.** A regulatory framework which seeks to alleviate administrative burdens and compliance costs, facilitate start-ups and encourage a culture of business recovery and second chance will help European enterprises, particularly innovative SMEs. Any future policy action proposed under the “EU2020” Strategy must be designed according to the think small first principle embedded in the *Small Business Act*.
- **Further action is needed to encourage the digital economy.** The move towards a digital economy has transformed the way businesses and individuals interact. As the number of technology opportunities grows, so too do the challenges of implementation. This requires action to ensure a secure environment for the use and transfer of information based on a sound technical basis. It is equally important that all users, consumers and businesses are able to receive ICT training to learn how to use digital technology and understand IT security.

#### Low carbon and sustainable economic growth

14. Notwithstanding the disappointing outcome of the UN Climate Change Conference in Copenhagen, the ICAEW firmly believes that action must be stepped up to deal with the critical challenges of climate change. The “EU2020” Strategy must ensure that sustainability is placed at the heart of the EU’s economic strategy for the next decade. It is important that new norms of sustainable behaviour, moving beyond basic regulatory compliance, are embedded in business practice and across society. Economic growth must not undermine Europe’s environmental, financial or social capital.
15. Of particular importance will be:
  - **Action to translate the outcomes of international climate conferences into tangible, practical solutions.** Securing binding international agreements and agreeing concrete policy objectives are essential if businesses are to be able to plan for and commit to long-term, low carbon investment plans. The ICAEW’s December 2009 *Business Opinion Survey - Managing Greenhouse Gas Emissions*, indicates that many businesses are likely to do more to reduce their carbon emissions if they receive effective guidance on the implications of international climate change agreements on their business strategies and plans.<sup>3</sup>
  - **Support for the development of processes to incorporate the environmental cost of economic behaviour into financial decision-making.** Business decisions, consumer choices and effective government action will rely on such processes to rebalance the economy towards sustainable outcomes. Some evidence exists to indicate that cost savings and/or tax incentives and grants provide strong motivation for businesses to start or do more to reduce greenhouse gas emissions.<sup>4</sup>
  - **Better reporting of climate change information in order to link greenhouse gas emissions to business performance.** We believe debate is required on both the development of a globally accepted standard for measuring businesses’ greenhouse gas

<sup>3</sup> Of the 866 businesses surveyed in the ICAEW 2009 report on *Managing greenhouse gas emissions*, 64% confirmed that they either ‘didn’t know’ or found it ‘not at all easy’ to turn the outcomes of international climate change conferences into practical strategies and plans ([www.icaew.com/corporateresponsibility](http://www.icaew.com/corporateresponsibility)).

<sup>4</sup> For *Managing Greenhouse Gas Emissions*, 74% and 73% of respondents respectively said that further tax incentives or grants would encourage them to undertake more initiatives or begin initiatives to lower carbon emission,

emissions and how this information should be reported. This will help to ensure that accurate and relevant flows of information go to decision-making stakeholders, including governments, businesses, investors and consumers.<sup>5</sup> Our survey on *Managing Greenhouse Gas Emissions* finds that organisations of all sizes – but particularly SMEs – feel they lack sufficient information about how to measure emissions.<sup>6</sup>

- **Encouraging mainstream investors to consider sustainability issues** when making investment decisions.
- **Embedding sustainability into education.** We urge reflection on how national education systems can ensure that every child in Europe is taught basic principles of sustainability.

### An inclusive, knowledge-based economy

16. We agree with the Commission that opportunity and social cohesion can be enhanced by creating knowledge-based growth. Acquiring new skills and fostering innovation and entrepreneurship will be crucial. Policy efforts to support an inclusive and competitive economy must not be sidelined by additional challenges facing policy-makers – particularly limited budgetary resources, globalisation, “greening” the economy and changing demographics. A wide range of issues will need to be tackled in order to achieve these policy objectives, requiring coordinated and complementary strategies and actions at European, national, regional and local levels.

17. We suggest that the “EU2020” Strategy should focus on:

- **Equipping EU citizens with the necessary skills to prosper in a global economy.** Investment in education and training will be fundamental to increasing Europe’s innovation potential as well as enhancing life opportunities for individuals. Identifying skills gaps and strengthening Europe’s skills base will depend on concerted action by all engaged bodies.
- **Enhancing the mobility of professionals across the single market.** We consider that there remain certain unnecessary barriers that still curtail mobility. We call for action to deal with mobility issues that can be immediately addressed and believe that a broad debate on the future of professional mobility and qualifications in the single market is required, based on the EU Treaty principles of free provision of services and freedom of establishment.
- **Promoting fair access to skilled professions.** Improving access to the professions can help to drive social mobility and increase competitiveness. Initiatives should aim to increase the recruitment of talented and motivated individuals from particular demographic groups – such as minority ethnic or socio-economically disadvantaged communities.
- **Promoting gender diversity in the workplace.** Attention must also be paid to creating a professional environment where employers are able to attract and retain female talent. A flexible work environment that allows women and men to plan their career development in light of caring responsibilities needs to be encouraged.
- **Significantly improving the financial capability of all individuals.** Proper evaluation and benchmarking of financial capability initiatives should help to identify measures which can deliver real improvements in Europeans’ ability to understand and manage their financial affairs.

### Additional comments

18. We concur with the Commission’s assessment that new priorities will need to be reflected in budgetary policies and must be taken into account in the budget review this year as well as in proposals for the multi-annual financial framework.

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<sup>5</sup> ICAEW Representation to the Conference of Parties on Climate Change (COP15), December 2009 ([www.icaew.com/corporateresponsibility](http://www.icaew.com/corporateresponsibility)).

<sup>6</sup> 42% of respondents to *Managing Greenhouse Gas Emissions* said they did not have enough information on how to measure their emissions.

19. We also agree that clear governance will be essential if the new strategy is to be properly and effectively implemented. We strongly support engagement of the European Parliament as well as the Council. We believe annual scorecards should be published to review progress at EU and member state level against the key objectives defined in the “EU2020” Strategy. This will help determine if the objectives identified are the correct ones and if they are being properly applied.
20. We believe that strengthened regulatory decision-making will be necessary to ensure implementation of the “EU2020” Strategy. We continue to urge:
- Ongoing action to improve the way regulations are developed and to ensure that policy-makers are in possession of robust information that enables them to assess the costs to the economy against expected outcomes.
  - Consistent and straightforward regulatory frameworks which are applied evenly across the EU.
  - Consideration as to how to enhance further joint action between EU institutions and national administrations to strengthen the scrutiny of legislative initiatives, impact assessments and post-implementation reviews.

## FURTHER CONTACT DETAILS

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## EUROPEAN ELECTIONS 2009

**7** PRIORITIES TO SUSTAIN AND  
ENHANCE SUSTAINABLE  
ECONOMIC GROWTH IN EUROPE





The European elections in June 2009 will take place against the backdrop of the worst international financial and economic crisis in decades. During the next legislative term, members of the European Parliament (MEPs) must focus on ensuring Europe's sustainable recovery. The ICAEW has identified seven priority areas that need to be addressed in order to put member states' economies on track for long-term and low-carbon economic growth.

Action on these priorities will help lay the foundations for the EU to emerge stronger from the crisis and better placed to compete in the global economy of the future.

The internal market has been a cornerstone of Europe's prosperity, helping to deliver growth and jobs. It is critical that the European Parliament continues to champion open markets in and beyond Europe, rejecting the protectionist arguments which resurface in times of economic trouble. Europe cannot prosper in isolation from the rest of the world. We look to the EU institutions to help lead the way to a global coordinated response.

The accounting profession plays a central role in meeting the demand for transparent, high quality information that serves society's needs while encouraging new thinking to promote stable, efficient and sustainable markets.

As a public interest body, The Institute of Chartered Accountants in England and Wales is committed to sharing technical expertise and facilitating stakeholder dialogue, helping restore economic confidence and encourage sustainable growth. We look forward to working with a new European Parliament to make a reality of the proposals outlined in the following pages.

**Michael D M Izza**  
Chief Executive  
April 2009

# 7 STRATEGIES FOR SUSTAINABLE ECONOMIC GROWTH

We believe that the forthcoming European legislative term must see EU institutions, governments, businesses, other market participants and wider social interests working together in pursuit of sustainable economic growth in Europe and beyond.

We have identified seven priority policy areas that we believe MEPs must address in the next legislative term if we are to achieve sustainable economic growth.

- 1** Put sustainability at the heart of policy
- 2** Enable enterprises to innovate and prosper
- 3** Rebuild confidence in financial services
- 4** Maintain high quality financial reporting and company law
- 5** Develop skills for a globalised world
- 6** Support sustainable economic growth in developing countries
- 7** Make regulation straightforward and transparent

We urge MEPs as well as wider policy-makers to adopt our key recommendations to address these policy areas, as outlined in the following pages.

# 1 PUT SUSTAINABILITY AT THE HEART OF POLICY

Action must be stepped up to deal with the critical challenges of climate change. Otherwise Europe – and the rest of the world – may face an even more serious economic threat in the future than that posed by the current crisis. There is now an opportunity to embed new norms of sustainable behaviour in business and across society to ensure that Europe's economic growth does not take place at the expense of its environmental, financial or social capital. It is vital that we seize this opportunity. Sustainability must address businesses' environmental impact as well as their wider ethical responsibility to society. Achieving strong and sustainable economic growth is a complex undertaking that calls for collective responsibility and cooperation. The European Parliament has a critical role to play in the next five years, sending out clear and consistent signals which stress the strategic importance of sustainability across all policy areas.

- **It is critical that a global agreement is reached in Copenhagen** on an ambitious and effective international response to climate change. The new European Parliament must press for a successful outcome at the UN Climate Change Conference in December.
- **Better reporting of climate change information is needed** to link climate change activity to business activity. We must have the right frameworks in place to enable us to measure climate change in a meaningful way. Reporting should be demand driven and ensure that accurate and relevant flows of information go to decision-making stakeholders including governments, businesses, investors and customers.

- **Europe's markets must be put on a sustainable footing.** MEPs must apply principles of sustainability to the stabilisation and redesign of financial and business structures. The market system needs to adapt so that it drives business to sustainable outcomes. Businesses have a primary responsibility to their shareholders but also have a wider duty to act in accordance with a framework expected by society. It is important that there is a comprehensive debate about what this framework should be.
- **Mainstream investors must take sustainability issues into account** when making investment decisions. The European Alliance for Corporate Social Responsibility has made an excellent start on this with its project *The Valuing Non-Financial Performance: a European Framework for Company and Investor Dialogue*. We recommend that this good work carries on.

- **Every child in Europe needs to be taught the principles of sustainability.** We call on MEPs to encourage the teaching of sustainability in every school across the EU. The ICAEW has developed an e-learning package – the Business Sustainability Programme – which could help form the basis of a primer in sustainability. We will be happy to share it with everyone working in the education sector.

# 2 ENABLE ENTERPRISES TO INNOVATE AND PROSPER

The SME sector forms a vital part of the European economy; its resilience will be a key factor in Europe's recovery. Small businesses must be helped to survive through the recession, to reap the benefits of the internal market and to innovate and create sustainable economic value over the longer term. Doing business in Europe must become easier and more rewarding. The EU has taken a significant step towards a modernised approach to enterprises by adopting the Small Business Act. This must be the beginning of a new process to create a more SME-friendly environment.

- **Annual scorecards on the Small Business Act should be published,** reviewing progress at EU and member state level against each of the 10 principles defined in the Act. This will help judge if the principles identified are the correct ones and if they are being properly applied.
- **SMEs must have easy and timely access to finance.** Improvements are needed to ensure that businesses are aware of and can rapidly make use of European Investment Bank instruments as well as other sources of EU funding. Access to finance will be easier for those SMEs that are diligent about sound financial management and ready for investment.

- **Encouraging equity investment in growing businesses** will help Europe's economic recovery. The European Parliament should press for the extension of small company tax reliefs (available to most small firms) to venture capital owned or controlled enterprises. In order to do this, the current EU definition of 'linked enterprises' needs amending and that of 'partner enterprises' needs clarifying.
- **Business transfers need better assistance.** An estimated six million small business owners across the EU will retire over the next 10 years. MEPs can help facilitate business transfers – which tend to preserve more jobs than those created by start-ups – by pressing for adequate financing, highlighting the importance of proper succession planning and sharing good practice across the EU.

- **Further review of VAT rules is necessary.** VAT remains a burdensome tax area in the EU. The place of supply rules coming into effect in 2010 are intended to help businesses operating across the internal market but they have become so complex that they risk having the opposite effect by depressing cross-border trade. Parliament should press for concrete recommendations to reduce red tape associated with VAT and the identification of fast track actions under the Commission's Action Programme on the Reduction of Administrative Burdens.

# 3 REBUILD CONFIDENCE IN FINANCIAL SERVICES

The next legislative term will be critical for the rebuilding of transparent, appropriately regulated financial services in Europe. At the heart of the financial crisis has been a shared failure to identify that the global financial system was increasingly loaded with unappreciated risk. All relevant actors need to work together to identify risks which could affect the common good – and share responsibility in addressing such risks. Given the global nature of the financial crisis, the European Parliament needs to work with the European Commission, Council of Ministers and key international partners to ensure a coordinated global response. The ICAEW, through our Financial Services Faculty, continues to promote active and constructive debate in this area and is ready to work with MEPs to help rebuild confidence in Europe's financial services.

- **We need an improved system of cross-border regulatory cooperation.** There has been much discussion to date at the policy level: what is needed now is greater clarity about the obstacles to practical cooperation posed by legal and other constraints, particularly in stressed circumstances. The accounting profession can help provide insight into the different ways in which this could be achieved.
- **Capital adequacy requirements must take more account of systemic risks and the business cycle.** The financial crisis has made clear the need for further changes to the capital requirements directive to ensure that appropriate levels of capital are built up by financial institutions in benign economic conditions to protect against times of stress.

We support moves to make new international capital adequacy requirements more focused on systemic risks.

- **The regulation of liquidity has emerged as a major weakness** in the regulatory system. The European Parliament can help improve liquidity risk management by backing moves to give financial supervisors a clearer remit to focus on liquidity risk.
- **Better dialogue between auditors, regulators and supervisors** could strengthen supervision of individual banks and help identify systemic risk. In addition, greater use could be made of the skills of auditors to supplement and provide assurance on information given to supervisors. Consideration should be given to enhancing EU-level meetings between auditors of financial institutions, EU

bodies and supervisory committees to exchange information which may be useful in identifying and managing systemic risk.

- **Financial reporting must not be driven by the needs of prudential supervisors.** The relationship between prudential supervision, the regulatory framework and financial reporting must be properly understood. Where there are conflicts between the information needs of regulators and other users of financial statements such as investors, the needs of investors and other users should prevail in financial reporting, since regulators have the power to require additional information and amend their capital rules.

# 4 MAINTAIN HIGH QUALITY FINANCIAL REPORTING AND COMPANY LAW

Company law, financial reporting and auditing are the bedrock of a strong financial and business infrastructure, integral to confidence in investment. IFRS helps make financial information more transparent and comparable across countries, across industry sectors and across companies – improving investor information and investment choice. We urge MEPs to show leadership and to support the move towards a single set of global accounting standards, as issued by the International Accounting Standards Board, avoiding any backtracking to a fragmented system which will fail to serve investor needs. Steps to simplify the financial reporting for the majority of European companies which are not listed must be prioritised. The regulatory framework for the provision of audit services must serve the needs of businesses in the internal market while ensuring the long-term sustainability of the audit market in light of globalisation. A thriving enterprise economy must be underpinned by an effective framework of company law that allows businesses of all sizes to flourish and which serves to advance Europe's competitiveness.

- **Accounting standards must be issued only by a properly constituted and independent standard-setter** with an appropriate mandate and level of technical expertise, following transparent due process. Decisions must be made in the public interest, particularly to protect the interests of investors.
- **Proposals must be adopted to secure appropriate EU funding arrangements** for standard setting bodies for the accounting and oversight of auditing.
- **The ongoing review of the EU accounting directives should result in a set of updated, high-level requirements** compatible with the key principles of international accounting. A balance must be sought between the needs of users, public interest requirements and associated compliance costs to companies. The regime for micro-entities, generally active only within their member state, should be

appropriately addressed at the national level.

- **The use of international accounting standards (IFRS) for non-publicly accountable entities would enhance transparency and comparability** across the internal market. It would also be particularly useful for medium-sized and large European enterprises seeking to expand their operations within the internal market and beyond.
- **The EU should adopt Clarified International Standards on Auditing.** We call on MEPs to back adoption of clarified ISAs, issued by the International Auditing and Assurance Standards Board, to strengthen audit quality across the EU for all companies subject to audit.
- **Auditors must be able to serve the needs of international business.** The regulation of audit services in the internal market must be based on principles of sustainability, mutual

reliance and coordination. The European Parliament should press for the implementation of the EC recommendation on auditor liability across member states.

- **We need appropriate global coordination for audit oversight and regulation.** MEPs should back active cooperation with non-EU audit regulators in order to achieve efficient and effective global arrangements based on mutual reliance.
- **MEPs should back fundamental reform of the capital maintenance and distributions regime** in the second company law directive, aiming to introduce a solvency-based regime as an optional alternative. Giving member states the freedom to reform and evolve their laws in this area will create a more modern EU law.

# 5 DEVELOP SKILLS FOR A GLOBALISED WORLD

Upgrading Europe's skills base will be vital for Europe's recovery. By 2020, around a third of Europe's jobs will require high education levels\* (up from a quarter at present). Globalisation, an ageing population and the move to a low-carbon economy will have major impacts on Europe's skills requirements. EU and national public authorities, education and training providers, businesses and the professions, must work together to ensure that Europeans develop the skills they need for future jobs in a low-carbon economy and an increasingly globalised world.

- **The financial capability of individuals needs to improve significantly.** The European Parliament, working with stakeholders, should encourage proper evaluation and benchmarking of financial capability initiatives to identify those measures which deliver real improvements in Europeans' abilities to understand and manage their financial affairs.
- **An EU business skills forum should be established to facilitate better coordination of policies** and activities across the EU, prioritising the needs of business and strengthening Europe's skills base in strategically important industries such as science, bioscience and technology.
- **Support for entrepreneurship training in the downturn needs to be redoubled.** Some individuals who are made unemployed during the crisis may use the opportunity to start new businesses. MEPs should encourage use of EU funds under the Entrepreneurship and Innovation Programme to support appropriate training for this distinct group of potential entrepreneurs.
- **Enterprise education encourages children to engage with businesses** at a young age to support their aspirations. The Parliament has an important role to play in encouraging better coordination of initiatives across the EU and better signposting of best practice.
- **Professional qualifications help drive social mobility.** Regular dialogue between the Parliament and the professions could improve understanding of longer term trends in recruitment and retention in the professions. We encourage MEPs to work with professional bodies to encourage more effective engagement with disadvantaged communities.

\*European Commission Communication  
*New Skills for New Jobs*, December 2008

# 6 SUPPORT SUSTAINABLE ECONOMIC GROWTH IN DEVELOPING COUNTRIES

The United Nations estimates that the global economic crisis could lead to 1.5 billion people living in extreme poverty. So efforts to attain the 2015 Millennium Development Goals must be greatly accelerated over the next five years. Europe and developing countries share a mutual interest in ensuring that the global economic upturn is accompanied by international collaboration to eradicate poverty. The EU – as a major trading block and the largest provider of development aid – is uniquely positioned to help developing countries strengthen their institutions and make their markets conducive to international investment and sustainable economic growth. Much could be achieved in the next legislative term through a policy refresh, greater focus on building in-country capacity, and closer contacts between professional institutes in the EU and corresponding bodies in developing countries.

- **EU trade and development policy should help create stable in-country markets** with transparent structures and international practices. A policy refresh in this direction will encourage inward investment, international trading partnerships, growth, employment and poverty reduction.

- **Stronger ties need to be developed between the EU and Africa.** Professional bodies play a key role in helping to create the conditions necessary for sustainable development. EU-sponsored forums between professional bodies in Europe and Africa could stimulate knowledge sharing and thought leadership in professional development and capacity building.

- **EU aid programmes should take account of the need to build capacity** in national professional bodies. Building capacity in the accounting and auditing professions will help strengthen accountability and anti-corruption and improve the conditions for investment, trade and growth. We call on MEPs to champion twinning between professional bodies in the EU and in developing countries to help support market reform and sustainable growth.

# 7 MAKE REGULATION STRAIGHTFORWARD AND TRANSPARENT

A simpler approach could be taken to regulatory matters – one which avoids complexity, inconsistency and is evenly applied across the EU. The ICAEW is a strong advocate of a straightforward, high quality policy framework which upholds key societal goals, helps to safeguard business confidence through the embedding of standards of ethical behaviour and reduces administrative burdens. During the next legislative term, the better regulation agenda must remain central to efforts to strengthen sustainable economic growth and employment in Europe.

- **All MEPs must apply the 2003 Inter-Institutional Agreement on Better Law Making**, in order to promote simplicity, clarity, consistency and transparency in a legislative process which focuses on clear and measurable outcomes.
- **Principles must be embedded in the regulatory requirements.** Principles-based regulation – not to be confused with light touch regulation – combined with appropriate monitoring and enforcement offers a robust framework which embeds underlying values into regulation and ensures compliance with the spirit, rather than the letter, of the law.
- **Substantive amendments should undergo impact assessments** based on the European Commission's Revised Impact Assessment Guidelines or another agreed methodology. There should be a pool of expertise within the Parliament to provide support to MEPs.
- **The Impact Assessment Board needs to be made more independent** of the Commission to help enhance legislative proposals further while introducing more critical oversight. A more independent Board should allow for enhanced engagement with representatives of the European Parliament and the Council of Ministers, as well as with stakeholders, to help the definition of workable legislation.
- **MEPs should take advantage of the opportunity to respond to major stakeholder consultations** launched by the Commission, as laid out in the 2003 Inter-Institutional Agreement. Parliamentary submissions to consultations could increase transparency and further strengthen input into the legislative design stage.
- **The use of 'regulatory budgets' should be assessed** by the European Parliament, Commission and member states. Regulatory budgets could limit the introduction of new burdens by setting out the maximum costs of new regulation that can be introduced in determined policy areas over set periods of time.
- **Legislation with funding implications needs to have substantive control mechanisms.** The accounting profession can be an important source of advice on design and implementation, helping MEPs to draft legislation which limits the possible occurrence of financial irregularities.

As a world-class professional accountancy body, The Institute of Chartered Accountants in England and Wales (ICAEW) provides leadership and practical support to over 132,000 members in more than 160 countries, working with governments, regulators and industry to maintain the highest standards.

Our members provide financial knowledge and guidance based on the highest technical and ethical standards. They are trained to challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity. The ICAEW ensures these skills are constantly developed, recognised and valued.

Because of us, people can do business with confidence.

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