



it adds up

CONTACT THE PUBLIC POLICY UNIT

Andrew Silverman Director - Communications and Public Affairs

tel: +44 (0)20 7059 5521 / mob: +44 (0)7715 367 060

e-mail: andrew.silverman@accaglobal.com

June Deasy Public Affairs Manager

tel: +44 (0)20 7059 5751 / mob: +44 (0)7736 800 393

e-mail: june.deasy@accaglobal.com

Victoria Jonson Senior Policy Adviser

tel: +44 (0)20 7059 5726 / mob: +44 (0)7803 146 170

e-mail: victoria.jonson@accaglobal.com

Camilla Jury Communications and Public Affairs Executive

tel: +44 (0)20 7059 5989 / mob: +44 (0)7711 745 545

e-mail: camilla.jury@accaglobal.com

For more information on the work of the Public Policy Unit and to access ACCA policy briefs, manifestos, research and consultation responses, visit www.accaglobal.com/policy.

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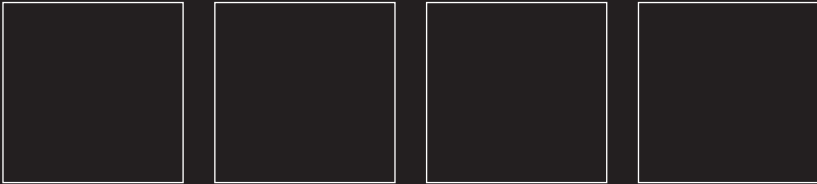
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about ACCA

1 ABOUT ACCA

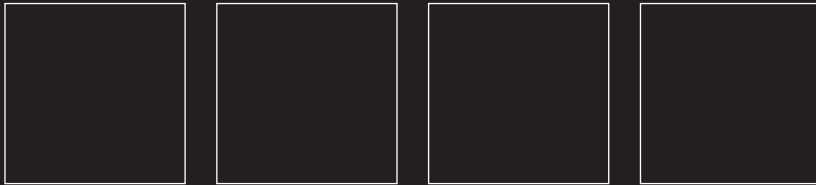
ACCA (The Association of Chartered Certified Accountants) is the largest and fastest-growing international professional accountancy body and has 260,000 students and 110,000 members in 170 countries worldwide. ACCA's headquarters are in London and the organisation has an extensive network of nearly 80 staffed offices and other centres around the world. In the UK, we have 54,000 members (ACCA qualified accountants) and over 60,000 students.

We derive our strength as a leading global accountancy body from our statutory recognition in the UK, our philosophy of open access and our expertise in education and training. Our professional qualification is respected around the world. We use our global expertise to advise governments and regulators in many countries on financial management and accountability in the private and public sectors.

1 ABOUT ACCA

OUR MEMBERS

ACCA members work throughout the world in firms of accountants, commerce, industry and the public sector. We have members in senior government positions, across the major global accounting firms, in listed multinational companies. Many are small business advisers and entrepreneurs.

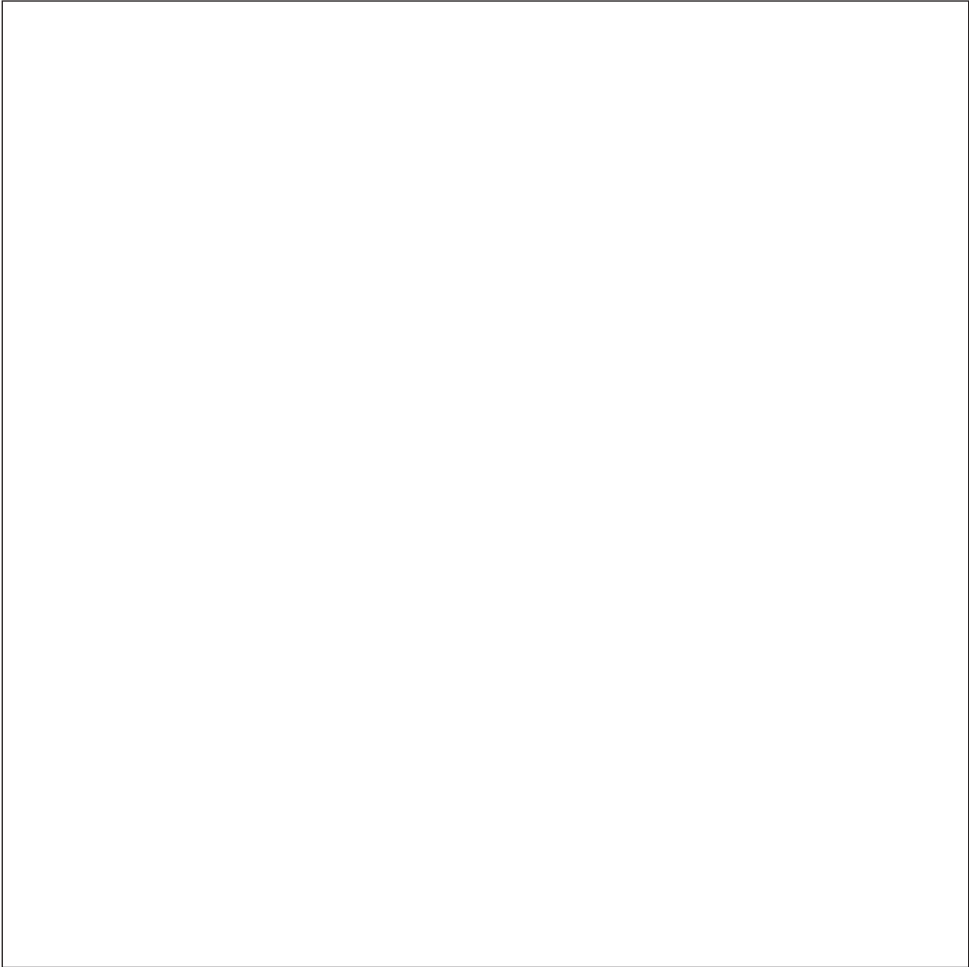


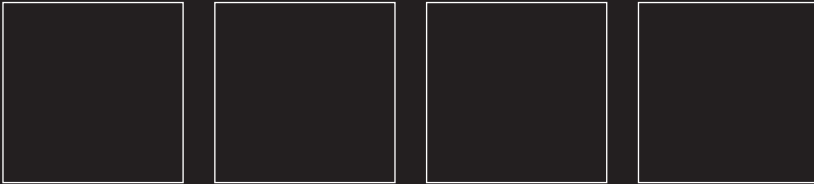
ACCA & public policy

2 ACCA & PUBLIC POLICY

The global expertise of our members and in-house technical experts allows ACCA to provide informed opinion on a range of financial, regulatory, public sector and business areas. These include: education; taxation (business & personal); small business; business law; health; corporate governance and corporate social responsibility.

The ACCA Public Policy Unit has been established to engage with policy makers on the key issues above and more. Building productive links with UK Parliamentarians, the Government and its agencies and influencing policy development in the public interest are key priorities for ACCA. We conduct research into and comment on major areas of public policy and provide MPs with an insight into factors that impact on business and individuals, along with informed reaction to debate or legislation within Parliament. We respond to legislative developments, give oral evidence to Parliamentary Committees and make representations on behalf of our members.





key issues & policy areas

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3 KEY ISSUES & POLICY AREAS

UNQUALIFIED ACCOUNTANTS

The term 'accountant' is not defined or protected by law – which enables anyone to set him or herself up as an accountant without professional training. Businesses and members of the public tell ACCA's technical advisory team that when they deal with accountants they assume they are qualified.

Companies House has records of many inaccurate and poor quality sets of accounts produced by unqualified accountants. Companies, not accountants, are ultimately liable for the accuracy of their final accounts and it is the companies that are subject to fines. Poorly prepared accounts leave independent shareholders at risk and can make fraud harder to detect.

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The gulf between qualified and unqualified accountants will widen as all professionally qualified accountants will be obliged to undertake Continuing Professional Development.

ACCA urges the DTI, which currently claims that the inclusion of the word 'chartered' differentiates qualified and unqualified accountants, to act to define and protect the term 'accountant'. Many businesses and individuals are unaware or uncertain of the relevance of 'chartered'.

Individuals should be able to state they are tax advisers or book-keepers, but, in the way that the term 'solicitor' means a client will have the services of a qualified solicitor, the term 'accountant' should denote the service is provided by a fully qualified accountant.

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EDUCATION & TRAINING

We recognise the vital role finance professionals play in ensuring that all sectors of our economy and financial system operate successfully in today's global environment. A key part of ACCA's role is to attract the finest talent into the profession and ensure that our accountants possess the judgement, skills, knowledge and expertise necessary to ensure that UK plc remains competitive on the global stage. We attract and develop people of application, ability and ambition who seek a rewarding career in accountancy, finance and management. Our commitment to lifelong learning is reflected in our programmes and qualifications, reaching from school leavers to the most experienced finance professional.

At school level, we promote numeracy, financial literacy and business awareness amongst pupils. We believe that children should be taught about tax and pensions in secondary school. Basic lessons explaining how and why they will pay tax and National Insurance and why making early provision for pensions is beneficial, may help alleviate on-going

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and longer term problems. Initiatives ACCA runs with schools in the UK include:

- **Insight Schools Programme** – offers business games, academic prizes and presentations to 18 specialist schools with *Business & Enterprise* status.
- **ACCA Business Challenge** – a business game run in schools or as part of the widening participation programme at universities, which tests numeracy, presentation skills, problem solving and teamwork.
- **Careers Advice** – ACCA also contributes to publications and materials aimed at the 14-19 age group and their advisors and influencers, to ensure the pathways through a career in accountancy are transparent and understood. We are continually building partnerships with organisations that provide advice at all stages of the career decision-making process.

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Our professional qualification is designed to provide accounting knowledge, skills and professional values to deliver finance professionals who are capable of building successful careers across all sectors. It embeds the global accounting education standards set by the International Federation of Accountants (IFAC) and has a strong focus on ethics and governance.

Our members are committed to keeping their skills and knowledge fresh and this is underpinned through ACCA Realise, our mandatory Continuing Professional Development programme. We invest heavily in career long learning for our members, using innovative approaches to enhance efficiency, effectiveness and value. We set the global benchmark for other accountancy bodies and other professions to follow.

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PENSIONS

The report of the Pensions Commission, published in November 2005, called for urgent attention to be given to the UK's pensions system if large numbers of today's workers are not to face poverty in their retirement. The Government has been commendably prompt in responding to the Commission's report and presenting its own proposals for legislative change, via its White Paper of April 2006.

ACCA strongly supports the idea that saving for retirement should be encouraged. At the same time, a strong private pensions framework will help shift a major financial burden off the state. We believe that government policy should aim to create tangible incentives for individuals to save and for employers to help them to do this via work-based schemes.

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One of the key issues to be tackled is consumer confidence in pension saving. If more individuals are to be encouraged to divert substantial parts of their lifetime earnings into private retirement saving, they need to be assured that their investments are likely to be safe and that their contributions will benefit them in the long term. Crucially, if those who do not currently save for a pension are to be persuaded to do so, government policy needs to adopt a firm commitment to making sure that those who save will be better off financially in their retirement than those who do not.

Just as individuals need incentives to save, employers need incentives to offer good pension schemes to their staff. Businesses must be given tangible encouragement, including via the tax system, to run schemes and to contribute to their funding.

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The active support of employers for workplace schemes is known to be a positive factor in encouraging individuals to join private schemes. Government must also take care to avoid turning the operation of a workplace pension scheme into an excessively onerous obligation – the increase in regulatory burdens in recent years has contributed to a decline in employer support for workplace schemes, particularly defined benefit schemes.

The danger of creating a two-tier system between public and private sector pensions

If the best pensions, and earlier retirement dates, are increasingly to be found in the public sector, this could have a knock-on effect on the decisions young people and graduates make when it comes to career choices. The Government must be careful to give a fair deal on pensions to all workers and must be mindful of the effect that pension reform may have on UK entrepreneurship.

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Need for more clarity on state pensions being linked to average earnings from 2012

This is a welcome reform, but rumours about a ‘Chancellor’s caveat’ brings uncertainty about whether this will actually happen. And until 2012, state pensions will continue to decrease in real terms.

Joined-up approach necessary

Many young people leaving higher education with student debts may have to spend several years paying those debts off before being in a position to save for a pension. At the same time they are faced with the dilemma of how to get a foot on the housing ladder. The reality of peoples’ ability to save, and of competing priorities for their income, must be taken fully on board by those tasked with implementing pensions reform.

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SMALL BUSINESS

Independent research shows consistently that qualified accountants are the first choice advisors of small businesses. ACCA has over 100 years' experience of working with and providing professional advice to small and medium-sized firms. In the UK over 56% of ACCA members (over 25,000) work in or for SMEs.

Government, and in particular its Business Link network, should further exploit and support the existing advice provided to small businesses by qualified accountants. Greater delivery of small business support through existing successful channels of advice will improve the quality, success and penetration of Government interventions.

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Regulation

Regulation is ranked as one of the top concerns of UK small businesses and has a disproportionate impact on small firms as compared with their larger counterparts. All legislators and regulators must ensure that regulations do not impose onerous burdens on small businesses and are simple to understand.

ACCA research shows that whilst many regulations are seen as generally reasonable, there is significant concern amongst small firms about the quantity and complexity of the regulations that apply to their business. A more robust and accountable system of measuring the impact of regulations on small businesses combined with more sophisticated retrospective audits of regulations would help to reduce the current administrative burden borne by firms.

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Access to finance

Whilst access to finance is not recognised as a significant problem facing all small firms, there is evidence that a number of groups face distinct challenges when accessing finance, including women setting up in business, particular ethnic minority businesses and high technology businesses.

ACCA has commissioned research and undertaken a significant amount of work on the issue of female entrepreneurship. Our research shows that women receive one third of the funding as compared with men when setting up in business. Government must work with accountants, banks and business support advisers to address this problem and introduce tax breaks for women setting up in business, recognising that they bear most of the childcare responsibilities and are more likely to set up their business from home.

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Intellectual Property Rights (IPR) and creative industries

Recent estimates suggest that the creative industries account for around 8% or £56.5 billion of the UK economy and are growing at over three times the rate of the rest of the economy (9% per annum compared to 2.8% per annum). However, creative companies struggle when accessing affordable and appropriate finance, have specific and different support needs and have difficulties protecting their intellectual property. Given the importance of the creative industries to the UK economy, it is vital that these issues are addressed to ensure this sector continues to grow and benefit UK plc.

The rise in the knowledge-based economy has led to an increase in the importance of intangible assets, including those in the creative industries. ACCA research into intangible assets has found that many small businesses are not able to value their intangibles effectively; preventing them from transferring their business at its true value or accessing much needed finance. The Government needs to work closely with the accountancy profession to ensure that small businesses are able to value, transfer and protect their intangible assets.

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HEALTH

Many ACCA members hold senior positions in local authorities, government service departments and health organisations. ACCA commissions and conducts research and comments on a range of health policy issues. We work in collaboration with the key UK health sector organisations and, at the request of the European Commission, we have conducted a number of studies in EU Member States to assess the economic impact of eHealth initiatives. We have also examined specific areas of health systems beyond the EU, including the use of the Payment by Results funding system in Singapore and Australia, health demand management systems in the US and the Chinese healthcare system.

Governance and board capability

Good governance is essential to ensure effective use of public money, improved services and realisation of corporate objectives at a time of significant change. Board level capacity and capability is also of paramount importance in an increasingly commercial NHS environment

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with new liabilities. For effective scrutiny and ability to meet increased demands, ACCA believes that all Boards should include one qualified legal and one qualified finance expert amongst their non-executive directors.

Longer term focus

Current emphasis is on showing results after five years, which can be viewed as a political, not financial imperative. Results of significant change are often not realised for ten years or more. Political imperatives create instability which makes it impossible for organisations to undertake long term planning and can also cause managers to lose focus on good financial management. ACCA calls for a longer term focus for health policy and associated targets.

Increased recognition of the impact of historic debt

Many NHS organisations have inherited debt from previous ‘incarnations’. The significant challenges of servicing such debt (and other debts) at the same time as providing new services and implementing the change programme have been given insufficient

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attention. In addition, the Resource Accounting & Budgeting (RAB) accounting requirements see NHS bodies in deficit being charged twice. Not only does the deficit appear in the balance sheet and have to be paid off, but the revenue allocation for the following year is reduced by the same amount. ACCA agrees with the Audit Commission's recommendation that any body suffering such a cut in its finances should be compensated.

Introduction of 'Policy Impact Assessments' (PIAs)

PIAs should be introduced, to provide transparent and accurate analysis of the impact of any major policy changes. Results from extensive consultation with clinicians and NHS finance professionals would provide essential input into the PIA, which should also include proper costing of policy initiatives and a statement explaining why the policy change is necessary. Genuine and timely consultation with both the clinical and financial experts is essential if the radical NHS reforms package is to succeed, for the benefit of NHS staff and patients alike.

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TAX

Tax avoidance & certainty

Tax law draws the line between what is within the law and what is outside it. It is unhelpful for businesses, individuals and tax practitioners alike to hear the term 'unacceptable tax avoidance'. Tax avoidance by definition is legal, tax evasion is illegal. There should be clarity on the Government's position and certainty in the legislation. There is a need for clear, considered and consistent business friendly messages to be projected by the Government and retrospective legislation should not be on the agenda in this area.

Tax simplification

Successive Budgets and subsequent Finance Bills seem to be pulling the tax system along the path to greater complexity. ACCA believes there is merit in the Chancellor of the Exchequer setting **four year budgets** at the beginning of the life of a parliament, making only minor changes on an annual basis. Major changes introduced regularly create uncertainty.

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ACCA proposes that tax change should be driven by a Tax Policy Committee (TPC), which would operate along the lines of the Monetary Policy Committee (MPC). Government would set the overall economic framework of the tax environment and the TPC would work on adjusting the tax system as appropriate with a view to long term simplification. The TPC should comprise of both private and public sector representatives and qualified tax practitioners.

Tax self-assessment

The self-assessment tax system in the UK is largely sanctions driven. Either the tax system should be modified to create incentives for complying with the deadlines for the system – as in Australia, where there is a far more liberal regime for income tax deductible expenses, resulting in early filing and early tax repayments – or the current UK system could, for example, allow early filing to result in shorter ‘inquiry windows’.

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Tax Neutral Disincorporation

In a dynamic business environment, tax neutral disincorporation should be available so that businesses can restructure into more appropriate legal forms. Although incorporation of existing businesses currently carries no costs, the process of disincorporation brings with it Capital Gains Tax charges.

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AUDIT

ACCA believes that independent external audits ensure good financial housekeeping and provide the most effective source of comfort for stakeholders, including creditors, employees and shareholders.

We are concerned that governments which cut red tape for smaller firms frequently target external audit as an unnecessary piece of bureaucracy. The current audit exemption threshold of £5.6 million means that a considerable number of substantial businesses avoid having their accounts audited independently.

ACCA believes that auditing standards should be developed that are clear and can be used easily by smaller businesses. We call for auditor independence to be protected by standards and legislation. We do not want the Audit Exemption Threshold to be raised above £5.6 million and believe there are good business reasons for the threshold to be set at a lower level.

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CORPORATE SOCIAL RESPONSIBILITY

ACCA has been actively involved with the unfolding debate on corporate social and environmental responsibility since 1990. We promote transparency and best practice. We aim to help businesses and organisations realise the growing importance of sustainability to them, and we have launched a number of high profile initiatives. ACCA champions the extension of corporate reporting to include the social and environmental aspects of a business – investors and other stakeholders are entitled to know the wider impact of an organisation’s activities. We have launched sustainability reporting awards in over 20 countries, including Australia and New Zealand, Hong Kong, Malaysia, Pakistan, Singapore, South Africa, Sri Lanka, Canada and the US.

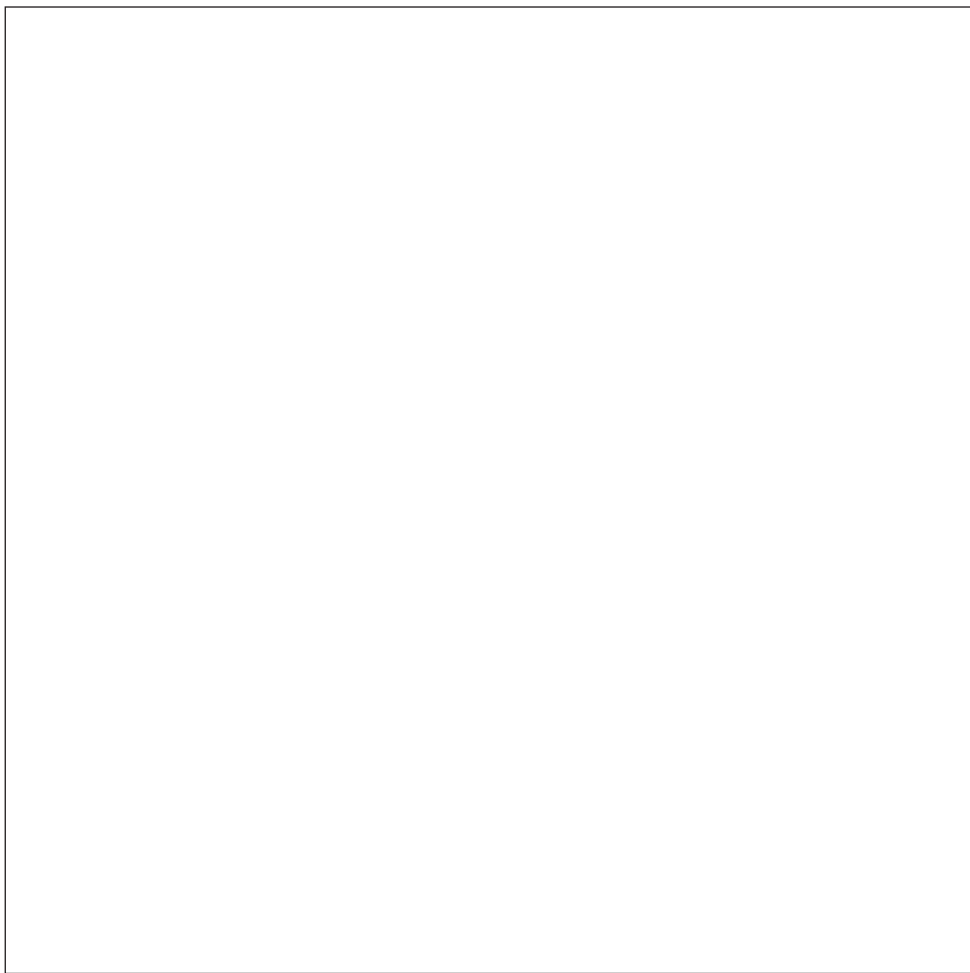
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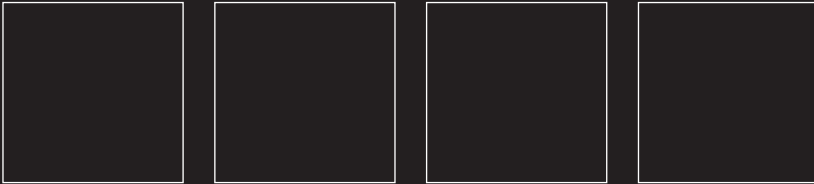
EQUAL OPPORTUNITY & DIVERSITY

ACCA was established in 1904 in order to provide more open access to the accountancy profession than the two existing accountancy organisations. Opportunity and access are central to ACCA's core values. With students and members in Africa, the Americas, Asia Pacific, Central/ Eastern Europe, the Middle East, South Asia and Western Europe including the UK and Ireland, ACCA is an organisation which not only seeks to embrace diversity, but is an organisation where diversity is a key strength and is truly valued. We have succeeded in making the accountancy profession accessible to those normally denied further or professional education.

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The profile of ACCA's female membership reflects our policy of opportunity and access – we have one of the highest number of female members among professional accountancy bodies and, in 1909, we became the first professional body to open our doors to female accountants. In 1980, we were also the first international accountancy body to elect a female President and our rapid expansion in the 1990s was underpinned by the growth in our female membership, which has increased by four times in the last eighteen years. Today, over 40,000 of our members worldwide – almost 40% of the total – are female. And these figures will grow – 51% of our registered students are female.



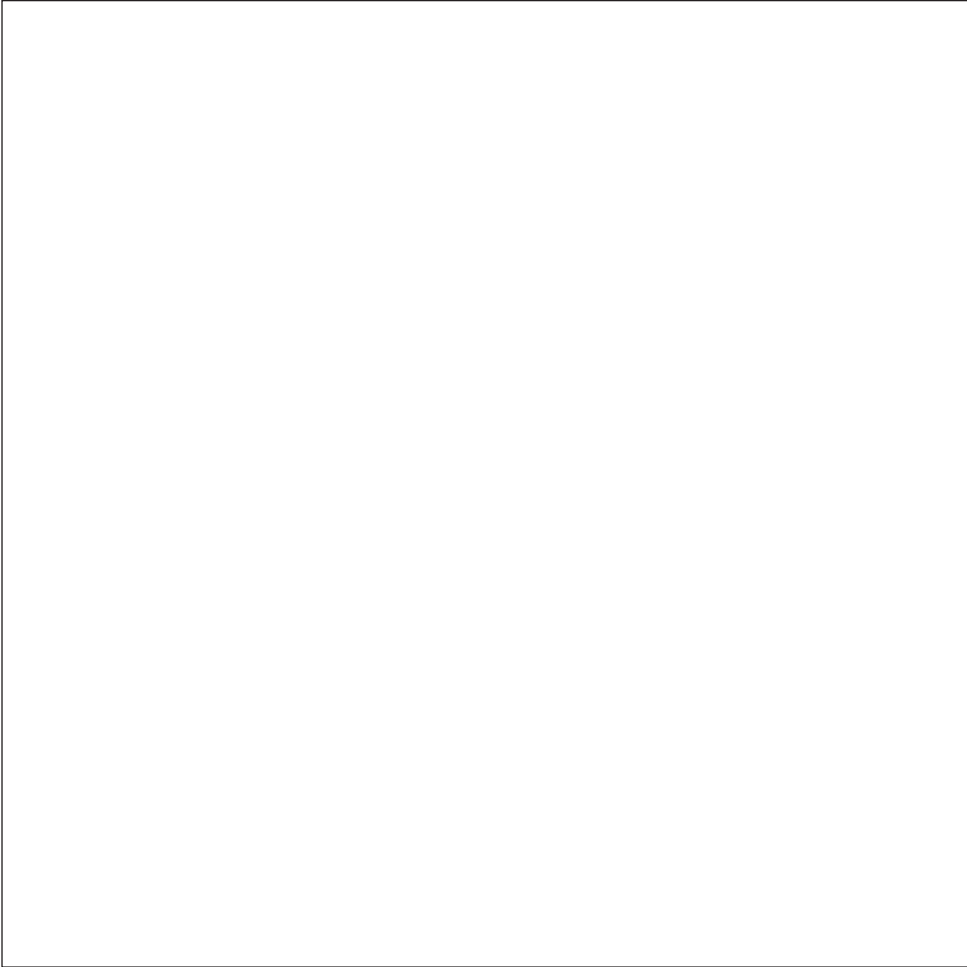


ACCA in the UK – statistics

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England	47,742
Northern Ireland	619
Scotland	2,787
Wales	1,991
Channel Islands (UK)	657
Isle of Man (UK)	223
Total UK members	54,019



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Andrew Silverman Director - Communications and Public Affairs

tel: +44 (0)20 7059 5521 / mob: +44 (0)7715 367 060

e-mail: andrew.silverman@accaglobal.com

June Deasy Public Affairs Manager

tel: +44 (0)20 7059 5751 / mob: +44 (0)7736 800 393

e-mail: june.deasy@accaglobal.com

Victoria Jonson Senior Policy Adviser

tel: +44 (0)20 7059 5726 / mob: +44 (0)7803 146 170

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ACCA 29 Lincoln's Inn Fields London WC2A 3EE United Kingdom