

SUMMARY BRIEFING

Event: **ICAEW / HM Treasury policy breakfast: Country by country reporting**
One Moorgate Place, Chartered Accountants' Hall, Moorgate, London
Thursday 22 October, 8am to 9.30am

1. Introduction

During the July 2009 IFAC G20 Summit, hosted at Chartered Accountants' Hall, Rt Hon Stephen Timms MP (Financial Secretary to the Treasury and G20 Minister) stated that country by country reporting was one of the major issues HM Treasury was looking at and asked the accountancy profession to enter into the debate about the practicalities and implications of proposals being voiced by other parties.

On 22 October 2009, as part of the response to this political interest, the ICAEW is hosted this country by country reporting policy breakfast. The aim of the breakfast was to facilitate discussion between a range of stakeholders with an interest in 'country by country' reporting proposals.

Vanessa Herringshaw, Director of RevenueWatch and member of the Publish What You Pay (PWYP) campaign, Glenn Brady, Project Manager for Extractive Industries at the International Accounting Standards Board (IASB), and Mark Paskins, Senior Policy Advisor to Stephen Timms MP as Financial Secretary to the Treasury all addressed the meeting. The breakfast was chaired by Michael Izza, Chief Executive of the ICAEW and provided a forum for dialogue between over 30 finance directors, financial reporting and tax professionals, investors, regulators, and other policy stakeholders.

2. Discussion summary: key points

Discussion revealed considerable disparity between stakeholders as to what country by country reporting may primarily achieve. The main diverging objectives for country by country reporting were:

- To tackle corruption and accelerate economic and social development in developing countries,
- To use financial reporting as a means of tracking and reducing the scope for fraud and tax evasion, and
- To introduce country by country reporting for the primary benefit of capital providers and commercial investors

In addition, there was considerable divergence on the type of information that should be presented in country by country reporting – for example, which taxes or revenue streams – and whether this information should be presented in annual financial reports or through non-financial reports such as annual sustainability or corporate responsibility reviews.

Fundamentally, there was discrepancy as to whether it would be appropriate to use a system of International Accounting Standards to reign in on tax avoidance. Due to the fact that financial reporting and tax are two separate technical spheres and developing a credible, robust and operable system would be very difficult.

It was thought that, on the basis of confidentiality, governments of developing countries may oppose certain information being publicly released through an enforceable system of country by country reporting – for example, detail on the revenue that these governments may receive from multinationals.

Achieving comparability of country by country reporting was believed to pose very significant and complex challenges. There was a broad consensus that an international framework for country by country reporting must minimise the scope for information being misrepresented or misinterpreted. It was agreed that it is in the interests of transparency that information reported across all jurisdictions should be as comparable as possible.

There was some support for country by country reporting to contain national regional breakdowns of money made and tax paid due to the complex and varied breakdown of sub-national fiscal regimes.

It was stated that a better understanding is needed of the reputational and commercial risks and costs, such as regulatory burden, that may be imposed by country by country reporting.

Under country by country reporting, it was thought that financial reporting and audit costs would increase in line with the demand for more granular information. One attendee claimed that committing to country by country reporting would promote better financial management and long-sighted planning on the part of businesses.

The deterioration of fiscal positions worldwide has renewed the focus on international tax avoidance. It was broadly agreed that there should be greater transparency of information on where multinationals earn their profits and which jurisdictions they pay tax to.

In both developed and developing countries, international accounting standards were believed to be important for strengthening accountability and transparency, and create a more robust investment climate for the private sector.

3. Attendance list

First Name	Second Name	Job title	Organisation
Glenn	Brady	Project Manager, Extractive Industries	International Accounting Standards Board (IASB)
Mark	Byatt	Director of Communications	International Accounting Standards Board (IASB)
Anthony	Carey	Partner, Corporate and Public Interest Markets Group	Mazars LLP
Kathryn	Cearns	Chair	ICAEW Financial Reporting Faculty (Herbert Smith LLP)
Graham	Dale	Special Adviser	HM Treasury
John	Ferguson	Former Finance Director (2004)	Shell Gabon SA (West Africa)
Hugh	Francis	Director of External Reporting Developments	Aviva plc
Andrew	Gambier	Manager Technical Strategy	ICAEW
David	Gardner	Director of Public Policy	KPMG
Ian	Griffiths	Director	KPMG (Secretariat to the FD 100 Group)
Ian	Hayes	Consultant, Practice Advisory Board	ICAEW
Vanessa	Herringshaw	Director	Revenue Watch (Visiting Fellow at the Centre for the Study of Global Governance, London School of Economics and Political Science)
Jonathan	Labrey	Head of Public Affairs	ICAEW
Chris	Lenon	Global Head of Tax	Rio Tinto
Harry	McAdoo	Director of Communications	ICAEW
Michael	McKersie	Assistant Director for Capital Markets	Association of British Insurers (ABI)
Tom	McMorrow	Policy & Regulation Director	Baker Tilly Management Limited
Giles	Mullins	Senior Manager	Grant Thornton UK LLP
Robert	Overend	Partner, Financial Reporting Group	Ernst & Young LLP
David	Parrish	Partner, Regulatory & Public Policy, Europe, Middle East, India & Africa	Ernst & Young LLP
Mark	Paskins	Senior Adviser	HM Treasury
David	Phillips	Senior Corporate Reporting Partner	PricewaterhouseCoopers LLP
Andrew	Ratcliffe	Partner	PricewaterhouseCoopers LLP
Chris	Sanger	Chair	ICAEW Tax Faculty (Head of Tax Policy at Ernst & Young LLP)
Andy	Simmonds	Partner	Deloitte (ICAEW Financial Reporting Faculty Member)
Nigel	Sleigh-Johnson	Head of Financial Reporting	ICAEW
Peter	Tucker	Tax Partner	Dickinsons Chartered Accountants
Ian	Wright	Director of Corporate Reporting	Financial Reporting Council