

Accounting Leaders' Grand "Vision" A Big Disappointment

By Dominic Jones | November 8, 2006 @ 8:42 pm

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THE leaders of the six biggest accounting firms have published a "vision" document for the future of financial reporting and auditing.

This was [trumpeted by the *Financial Times*](#) a day before its general release as being "a radical overhaul" that ranked as "the most significant shake-up of data flows that sustain markets since the US introduced accounting standards and independent auditing in the 1930s."

Sorry, I don't think so. Much of the [report](#) (PDF 1,870KB) is given to addressing auditors' liability, as [Floyd Norris of the *New York Times* duly noted](#).

The section on financial reporting rehashes a lot of what has already been suggested for several years, most prominently by [Sam DiPiazza](#), CEO of PricewaterhouseCoopers. *ValueReporting*, anyone remember that?

It says investors want more **non-financial information** that may be predictive of future performance, citing in one instance same-store sales that retailers put out now. Currently, these metrics aren't audited because they fall outside the bounds of accounting standards. The auditors would like the job of auditing these.

XBRL gets brought up by the CEOs, as well it should. Here again, though, the vision document foresees mostly new business and profile opportunities for auditors.

Says the report:

"In an environment of user-determined customization [due to XBRL or other interactive data], users are likely to care less about the formats that have historically dominated the disclosure of company information — balance sheets, income statements and statements of cash flows — and far more about new formats that could be developed by our profession, analysts and users themselves.

"In such a world, users therefore will want to be assured of the reliability of the specific information they choose to access, which underscores the importance of **auditing the technology** (hardware and software) that produces it and the reliability of the systems of tagging" the data."

But I think the most telling thing about the accounting firms' vision comes when they offer to be the facilitators of the "conversation" with investors to find out what they want.

"Investors and other stakeholders need to get engaged and weigh-in or change will be marginal at best. To develop a new company reporting model will require a **global conversation** of a broad range of investors (individual and institutional), other users, company preparers, regulators and standards-setters.

"We believe our networks can help facilitate that conversation and indeed **help start** the conversation. We stand ready to host conversations among all the key stakeholders in business information about what a new reporting model should look like. The process should be one from the "bottom up," rather than one imposed from the "top down" by a single global standard-setter or regulator."

And that's really where it all rings hollow for me. You see, this is contained in a document that was selectively dished out to the big media before it was made more broadly available. That's not a conversationalists bottom-up approach, it's an old-school top-down control approach.

When the document was made available to the public at large, it was posted as a PDF on [a website](#) for a symposium the accounting firms were hosting in Paris. That website has no mechanism for individual and institutional investors to comment on the vision document.

The [website](#) of the Global Public Policy Symposium, brainchild of the biggest six accounting firms as they attempt to co-opt the global conversation on financial reporting.

Elsewhere on the symposium website, there is [an agenda](#) for the two-day event. It looks very interesting. Lots of noteworthy speakers. But the rest of us are **not invited, not even via listen-only webcasts**. And again, there's no way for anyone outside the symposium to "get engaged" as the accounting leaders urge.

(Actually, there is a contact link for some chap named "webmaster@globalwhatever.com" but who's going to trust or use that?)

All of which leaves me rather cool to the accounting firms' offer to "facilitate" and "start" the global conversation. It just doesn't ring true. Seems more like a one-sided dictation.

The *real* conversation, it seems to me, is already happening amongst investors themselves, in boardrooms, executive suites, IR departments, PR departments and even the blogosphere. It's an open conversation where everyone has their say, including accountants.

To have any real legitimacy, the big accounting firms' engagement efforts need to be much more than a select group of mostly middle-aged men at a plush Paris hotel.

Sirs, your [loud hailer](#) awaits.

Related: [A Vision From the CEOs of the International Audit Networks](#) (PDF 1,870KB)

Update: Jack Ciesielski, publisher of the *Analyst's Accounting Observer*, offers his perspectives in [Brave New World Or Marketing Tool?](#)

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