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WHAT CAN THE AUDIT COMMITTEE DO BETTER?

FEE ROUNDTABLE ON THE FUNCTIONING
OF AUDIT COMMITTEES

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ABOUT EUROSHAREHOLDERS

- Euroshareholders is the Federation of European shareholders associations.
- It was **founded in 1992** with its **General Secretariat in Brussels**.
- At present Euroshareholders gathers **32 shareholders associations all over Europe**, and represents about 2,5 million individual shareholders.
- The organisation's overall task is to **represent the interests of individual shareholders in the European Union**.





ABOUT EUROSHAREHOLDERS

- President: **Jella Benner-Heinacher** (DSW)
- Vice Presidents:
 - **Jan Maarten Slagter** (VEB- The Netherlands)
 - **Günther Mårder** (Aktiespararna – Sweden)
- General Secretary: **Guillaume Prache**





ABOUT EUROFINUSE

- **EuroFinuse - The European Federation of Financial Services Users** was founded in 2009 under the previous name by several organizations: **Euroshareholders (ESH), FAIDER, VEB** and other financial services users' organizations
- **EuroFinuse has a broader scope than ESH** –all private investors: shareholders plus bond holders, fund investors, life insurance policy holders, bank savers, pension fund participants, etc.
- Today represents **50 national associations** and about **4 million European citizens**
- **Main objective:** to restore financial services users confidence



THE AUDIT COMMITTEE

The shareholders' view:

The board acts as the agent of all shareholders!

The quality of the board members and the members of the audit committee (AC) is decisive

Minimum one financial expert in the AC

Give the AC a more responsible role in the audit process!



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THE AUDIT COMMITTEE

WHAT CAN THE AC DO BETTER?

1.INTRODUCE MANDATORY TENDERING IN REGULAR TERMS E.G. EVERY 15 YEARS

- It can help to have a fresh pair of eyes after such a long period***



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THE AUDIT COMMITTEE

WHAT CAN THE AC DO BETTER?

2.IMPROVE THE AUDITOR SELECTION PROCESS AND ITS TRANSPARENCY:

- Oversee the selection process (equal access to information for all tendering firms)***
- Develop & implement a policy on the engagement of the auditor to supply non audit services***



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THE AUDIT COMMITTEE

- ***Set caps on the provision of non audit services***
- ***Approve the terms of engagement and the remuneration of the auditor***
- ***Develop the Recommendation to the board for the appointment of the auditor***



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THE AUDIT COMMITTEE

3. AUDITORS' INDEPENDENCE IS A KEY ISSUE:

Develop an independence policy towards the auditor:

- ***Preapproval of certain services by the auditor e.g. where threats to independence are considered low (audit related services)***
- ***Exclusion of the auditor from specific services***
- ***Eventually limit related services to a fixed percentage of the audit fee***



THE AUDIT COMMITTEE

4. IMPROVE REPORTING OF THE AC TO THE BOARD:

- ***Detailed and understandable reporting necessary***
- ***Describe in detail the work of the committee***
- ***And always keep in mind:
The AC cannot take over the responsibility of the whole board***



THE AUDIT COMMITTEE

5. IMPROVE REPORTING TO THE SHAREHOLDERS IN THE ANNUAL REPORT:

- ***Explain the audit selection process and the reasons for the appointment of this auditor***
- ***Explain the company's policy on non audit services and the monitoring process***
- ***Explain the fees paid to auditor for audit services, audit related services and eventually non-audit services (kind of services and reasons for this decision)***



THE AUDIT COMMITTEE

BEST PRACTICE SIEMENS ANNUAL REPORT 2012:

„Siemens‘ AC has established a policy to approve all audit and permissible audit-related services by the auditor...

The company’s independent auditor is not allowed to perform any non-audit services which may impair the auditor’s independence...

Or which can be more effectively or economically provided by another...



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THE AUDIT COMMITTEE

BEST PRACTICE SIEMENS ANNUAL REPORT 2012:

„Furthermore the AC has limited the sum total of all fees that may be incurred during a fiscal year for non-audit services, including audit-related services ... to 30 % of the audit fees agreed upon for the respective fiscal year.“

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