



Federation of European Accountants
Fédération des Experts comptables Européens

INFO

Standing for trust and integrity

For immediate use: 29 September 2011

FEE initial reaction on media reports regarding European Commission proposals on audit policy

FEE would support proportionate regulation aimed at enhancing audit quality and audit services supply but warns against overregulation and unintended consequences

Brussels, 29 September 2011 – FEE (Fédération des Experts-comptables Européens – Federation of European Accountants) has noted media reports on possible European Commission proposals on audit policy. The proposals are understood to be complex and contain a detailed set of provisions that may impact widely on Public Interest Entities (PIEs) and Small and Medium-sized Entities (SMEs), stock markets, audit firms, different segments of the audit market, accountancy bodies and the whole future shape of the accountancy profession. Consequently, looking forward, we can only make detailed comments on such proposals once a thorough analysis has been undertaken in order to understand all the legal implications and long-term practical consequences, however, there are important matters which we consider must be addressed at this early stage.

FEE acknowledges the need to continue modernising the current audit model and advancing audit policy. Proposed legislation that would strengthen the role of the audit and of the profession would be strongly supported by FEE. It is, therefore, disappointing that the media have primarily focused on certain provisions relating to audit market structure and, therefore, FEE warns that the debate should not be limited to the market alone. The proposals as reported appear to be overly prescriptive, and in some instances potentially damaging, and would imply a significant increase in administrative burden and cost, both on businesses and audit firms, without any significant corresponding benefit accruing.

The risk is high that, rather than helping to meet the stated European Commission's goals, certain proposals would turn out to be counterproductive, create additional barriers for access to the PIE sector and, in some instances, are likely to damage audit quality. This would not serve the public interest at a time where growth, innovation and job creation should be fostered. The global implications of such legislation would also need to be carefully analysed.

FEE trusts that the democratic legislative process that will start soon within the European Parliament and EU Member States will provide an opportunity to rebalance the Commission proposals so that the adopted legislation promotes the supply of high quality audit services, facilitates the development of a vibrant market and supports an independent and sustainable audit profession.

Audit policy should not ignore the important role played by accountancy bodies in enhancing audit and financial reporting quality, addressing the needs of SMEs, representing the interests of Small and Medium sized Practitioners (SMPs) and reducing the current pressure on business and any actions which reduce their influence in upholding the integrity of the profession should be avoided.



FEE, as the umbrella organisation federating 45 accountancy bodies from 33 countries across Europe representing more than 700.000 finance professionals working in audit firms of all sizes, in business and in the public sector, will thoroughly analyse and assess the final and official EC Proposals and is committed to contributing to this debate.

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NOTES FOR EDITORS

About FEE

FEE (Fédération des Experts-comptables Européens – Federation of European Accountants) is an international non-profit organisation based in Brussels that represents 45 institutes of professional accountants and auditors from 33 European countries, including all of the 27 EU Member States.

FEE has a combined membership of more than 700.000 professional accountants, working in different capacities in public practice, small and big accountancy firms, businesses of all sizes, government and education, who all contribute to a more efficient, transparent and sustainable European economy.

For more information: News@fee.be

Tel: + 32 2 285 40 85

Fax: + 32 2 231 11 12