



Fédération des Experts
Comptables Européens

Press Release

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Europe's Accountants Urge Robust Debate on Risk Management and Internal Control in the EU

**Europe's approach to risk management and internal control
must build on best practice**

Brussels, 31 March 2005: At the launch of the discussion paper- ***Risk Management and Internal Control in the EU***- FEE, the representative organisation of the European Accountancy profession, stated that any new requirements to implement reporting on risk management and internal control must be based on evidence that the benefits to companies, shareholders and the public interest will exceed the costs involved.

"As part of its corporate governance policy the European Commission has signalled its intention to require companies to report on risk management and internal control¹T. The European accounting profession is supportive of the principles of board accountability for the preparation of information to shareholders and that companies should establish and maintain effective systems of risk management and internal control," advised David Devlin, President of FEE, speaking at the launch of the discussion paper².

"It would be appropriate to reflect existing Member State requirements by introducing a basic EU requirement for all companies to maintain accounting records that support information included in published financial statements," added Robert Hodgkinson, FEE Internal Control Working Group Chairman.

FEE, the representative organisation of the European accountancy profession³ is calling for:

- Increased use of mechanisms to give more transparency to risk management, including -
 - dialogue with shareholders; and
 - voluntary or required 'comply or explain' reporting against corporate governance requirements.

- FEE is currently not convinced about the usefulness of introducing across the EU published effectiveness conclusions on internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act. However, it will be important to take account of the views of investors, companies and others, as well as forthcoming evidence about the usefulness, costs and benefits of such conclusions to investors as Section 404 of the Sarbanes-Oxley Act is implemented.
- External auditors' provision of assurance services in respect of risk management and internal control cannot exceed the responsibilities of those charged with governance.

The new FEE publication provides a review of current best practice amongst companies in risk management and internal control, a review of recent regulatory developments in the US and EU in response to the recent financial scandals; and a survey of regulatory requirements on risk management and internal control in EU member states.

"The paper sets out various proposals as to how European regulators can build on what the best companies are already doing. In FEE's view, there is a need to promote discussion involving investors, business and regulators to inform the development of thinking across the EU on risk management and internal control," concluded FEE President David Devlin.

-ENDS-

For more information contact:

Derek McGlynn
Head of Communications
Tel: + 32 2 285 40 85
+ 32 498 112 941
Fax: + 32 2 231 11 12
Email: derek_mcglynn@fee.be

Notes for Editors:

1. Measures have been proposed in the revisions of the 4th, 7th and 8th company law Directives. Also the European Corporate Governance Forum has announced its intention to study the issue of internal control and risk management

2. The discussion paper ***Risk Management and Internal Control in the EU*** can be downloaded free-of-charge from the FEE website (<http://www.fee.be>) or copies may be ordered from Sylvie Romancide (Fax: + 32 2 231 11 12, Email: Sylvie_Romancide@fee.be). Comments on the paper are invited by 31 July 2005.

Another relevant FEE publication in this area is the *Discussion Paper on the Financial Reporting and Auditing Aspects of Corporate Governance* (2003). It details the elements of good corporate governance relevant to the process of financial reporting and auditing and considers the fundamental relationships and obligations between the company boards, auditors, shareholders and other stakeholders in an effective corporate governance system.

3. The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe. FEE's membership consists of 44 professional institutes of accountants from 32 countries. FEE member bodies are present in all 25 member states of the European Union and three member countries of EFTA. FEE member bodies represent more than 500,000 accountants in Europe.
