



Fédération des Experts  
Comptables Européens

# Press Release

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## **Debate on internal control reporting remains open**

### **FEE publishes conclusions of consultation**

*Thursday 04 May 2006 – BRUSSELS* - In publishing today a paper on EU risk management and internal control, FEE (the European Federation of Accountants) notes that the debate remains open on the best model for corporate reporting on risk management and internal controls. Europe can learn from developing experience of a variety of approaches in many European countries as well as in the US, where Section 404 of the Sarbanes-Oxley Act applies and practice continues to evolve.

The respondents to FEE's original Discussion Paper generally concluded that while Europe should learn from the American experience of the Sarbanes-Oxley Act, it is not desirable to introduce a European equivalent of Section 404 of the Sarbanes-Oxley Act. FEE's consultation process also led to a majority conclusion that any further regulation should take an evolutionary approach.

Publishing a formal comment paper at the conclusion of its extensive consultation, FEE President David Devlin emphasised: "While we have confirmed the profession's collective view on certain key issues, it is important that the debate on risk management and internal control remains open for the time being."

"Also, practical experience of various approaches to risk management and internal control continues to evolve, providing the opportunity to review how these approaches work in practice. Furthermore, there is a need to consider the scope for convergence," concluded Mr Devlin.

FEE's comment paper – Analysis of Responses to FEE Discussion Paper on Risk Management and Internal Control in the EU – sets out the views of 21 respondent organisations, including companies and their representative organisations, risk management organisations, internal auditors, and professional accountants.

The original FEE Discussion Paper, published in March 2005, was also the subject of a major forum the Federation convened in Brussels last October. This event attracted over a hundred participants representing a wide range of stakeholders from regulatory, business, investor and auditing spheres.

The 28-page summary report, available on the FEE website at [www.fee.be](http://www.fee.be), is expected to be useful to policy makers, standard setters and regulators in the area of risk management and internal control. FEE's report should also be a valuable tool for business, investors and the accounting profession as good practices develop.

The views FEE set out in the Discussion Paper were generally consistent with considerations expressed by:

- Participants at the forum held by FEE in October 2005 to discuss the issue of risk management and internal control; and
- The European Corporate Governance Forum in its annual report for 2005. The Forum keeps close track of the developments in the field of risk management and internal control.

Generally, the respondents welcomed the FEE Discussion Paper and supported many of its proposals. However, respondents also showed a diversity of views in answering the 15 questions posed by the Federation:

- Respondents agreed that it was not desirable to introduce a European equivalent of Section 404 of the Sarbanes-Oxley Act, although Europe should learn from the US experience;
- They also generally agreed that it is not necessary to develop an EU Framework for internal control reporting;
- The FEE regulatory principles and the principles of disclosure set out in the Discussion Paper were broadly supported;
- A majority of respondents are in favour of an evolutionary approach to any further regulation, and support the need for high level criteria to provide meaningful descriptions of internal control and risk management as envisaged by the amendments of the Fourth and Seventh Directives;
- There are divided views on whether it is necessary to focus only on listed companies; and
- Most respondents confirmed their understanding that an audit is designed to express an opinion on financial statements and does not provide specific assurance on internal control. There were divided views on other assurance issues.

This paper - Analysis of Responses to FEE Discussion Paper on Risk Management and Internal Control in the EU - can be downloaded free-of-charge from the FEE website <http://www.fee.be>. The original Discussion Paper on Risk Management and Internal Control in the EU and the responses to it as well as the summary note on the Forum can all be downloaded free of charge from the FEE website.

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**Notes for Editors:**

1. This paper - Analysis of Responses to FEE Discussion Paper on Risk Management and Internal Control in the EU - can be downloaded free-of-charge from the FEE website <http://www.fee.be>.
2. The European Commission has recently amended the 4th and 7th Company Law Directives. For more information please see the Commission's website ([http://www.europa.eu.int/comm/internal\\_market/index\\_en.htm](http://www.europa.eu.int/comm/internal_market/index_en.htm)).
3. 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.