

# FEE Conference

Views from a preparer of (audited)  
financial statements

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# Expectations of the Independent Auditor

- Responsibilities and expectations of the independent auditor are set forth in SAS 1, section 110; SAS 78; SAS 82
- In addition, the auditor's public role and duty is further clarified in legal proceedings and the financial press
- The ultimate report of the independent auditor is the 'Independent auditors report'
- In this report the responsibilities and moreover the limitations of the audit work is explicitly emphasised i.e. it is the sole responsibility of Company's management.

*With this report the friction between management and the independent auditor is born and thus the expectation gap increased.*

# Expectations of the Chief Financial Officer

- The traditional role of the CFO is primarily focused on control and compliance i.e. changing role of the CFO.
- The role of the CFO has shifted from maintenance to improvements and as a result directly challenging the way business is conducted.
- The CFO is supposed to act as a business partner in the board and at the same time maintain confidence with the investors and analysts.

*The responsibilities and expectations of the CFO have changed dramatically, moreover the legal and personal consequences are extremely severe.*

# Discrepancies between the auditor and the CFO

- The CFO is responsible for the Annual Report without any limitations worse an ‘In Control Statement’ has been added.
- Even with a perfect set of internal controls (to my opinion: impossible) the CFO can not be held responsible for all mistakes or irregularities while the auditors can call upon legal and practical limitations.
- The auditor should, when he is fully adhering to auditing and ‘real world’ standards be up to par with the actual situation of the Company. In most cases the Annual Report is prepared together with the auditors. Therefore the limitations seem to be driven by liability issues.

# How to regain the respect of the society?

- Audit firms and Auditors have to reevaluate their product. Is it really a commodity as presented in the eighties in search for higher revenues? So far, auditors are defensive and in search for limitations of risks rather than improving quality and sharing, to a certain extent, legal responsibilities with Company's management.
- Auditors should pursue the highest quality both in accounting and auditing standards.
- Independent Auditors have more added value than currently applied
- CFO and Auditors could regain the trust from the financial society by improving communication in the Annual General shareholders meeting

*The Auditor's product is not excellent because of the recall procedure but due to actual added value regardless of inherent risks.*

# Conclusion

- The Auditors and their respective firms have to be sensitive of external expectations. The discussions about their role is internally focussed.
- The respective National Auditors Institutes have to be clear in the application of the code of conduct rather than implementing new rules and regulations.
- The Auditors and their respective firms have to improve their unique selling product instead of being a necessary ‘evil’.