

FEE Conference on Audit Regulation

**Panel Discussion on Quality Assurance
Systems in Europe**

Introductory Presentation

by

Prof. Dr. Kai-Uwe Marten

*Deputy Chairman of the
Auditor Oversight Commission, Germany*

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The role of independent public oversight

Quality assurance as an instrument of independent public oversight:

- quality assurance systems („peer review“) widely established before the introduction of independent public oversight bodies
- independent public oversight established to restore confidence in the work of auditors by enhanced credibility and the perception of independence of oversight activities
- introduction of independent public oversight bodies affects existing quality assurance systems
- regular quality assurance inspection is *the* key instrument for independent public oversight and restoring confidence

The relevance of independent inspections

Independent inspections of PIE audit firms add

- + public credibility and reliability: enhanced independence from the profession is relevant for the public perception of the independence of the public oversight system
- + mutual recognition: enhanced global acceptance of independent inspections in cross-boarder cooperation of public oversight systems
- + wider scope in quality assurance: enhanced scope based on testing of the „tone at the top“ of an audit firm

∑ **an element to restore public confidence in the concept of audits <> enhanced credibility of financial information through independent audits <> functioning capital markets**

The new inspection system in Germany

- amendments became effective on 6 September 2007
- affects ca. 150 auditors/audit firms of public interest entities (PIEs)
- inspection cycle: 1 year (\geq 25 PIE audits), 3 years ($<$ 25 PIE audits)
- inspections organized by the Chamber of Public Accountants (cooperation establ. under public law, part of state-administration)
- inspections performed by full-time employees of the Chamber
- ultimate responsibility and ultimate decision-making power rests with the Auditor Oversight Commission (AOC)
- AOC has access to all documents, the right to participate in any inspection, receives the inspection report, has the right to initiate inspections any time (irrespective of the cycle)