



Fédération des Experts  
Comptables Européens

# Press Release

Ref : PR32

*For immediate use: 21 May 2003*

---

## **FEE CALLS FOR URGENT PROGRESSION OF EUROPEAN COMMISSION PROPOSALS**

*The European Federation of Accountants supports the reform of corporate regulation and oversight of the audit profession in Europe, as outlined in today's European Commission's Communications.*

**Brussels, 21 May 2003:** The European Federation of Accountants, (FEE), today called for urgent progression of the European Commission's Communications regarding the future of corporate regulation and the oversight of the audit profession in Europe. The Federation which represents almost 500,000 accountants throughout Europe, also highlighted the fundamental importance of public trust in capital markets, financial reporting and the work of the profession, together with the need to work continuously to maintain that trust.

As the European Commission launched its proposals on audit strategy together with proposals on company law and corporate governance, FEE called on member states to implement reforms consistently, based upon the European Commission's framework, in order to ensure a level playing field in Europe.

Speaking after the launch of the Commission's proposals, David Devlin, President of FEE said, "the European Commission's Communications take place against a backdrop of high profile financial scandals which have shaken consumer and investor confidence. It is clear that in the context of restoring confidence in financial markets, the role of all players in the financial reporting chain needs to come under scrutiny. This must include strengthening corporate governance arrangements so that they are equally effective across the single European market."

He added that, "a well-developed company law framework is needed to facilitate business efficiency and to contribute to economic growth and public welfare."

FEE welcomed the Commission's intention to continue the Audit Advisory Committee as a discussion forum between regulators and the audit profession. FEE also expressed support for the proposal to require the use of International Standards on Auditing (ISA) by 2005, and FEE is ready to assist in the necessary preparatory steps.

According to David Devlin, "despite recent convergence, differences in European national auditing standards are neither transparent nor clearly identifiable. As a result, users of audit reports have to invest extra resources to understand the precise nature of the assurance that is being given. This contributes to the fragmentation of Europe's markets and raises the cost of doing business. FEE has been calling for Europe to seize the opportunity and move to International Standards on Auditing (ISA) by 2005 and welcomes the Commission's acknowledgement of FEE's support for this position."

The European Commission's strategy is broadly consistent with the earlier proposals from FEE. In all areas of standard setting FEE believes the principles based approach to be preferable to the rules-based approach.

*Page 1 of 3*

FEE urged the European Commission to continue its dialogue with other major regulators, including the US SEC and PCAOB. The discussion should aim to establish a basis for acceptance, by all parties, of the equivalence of arrangements in terms of quality and related enforcement in both jurisdictions, for corporate governance, financial reporting and auditing.

FEE agreed with the Commission that there is a need to strengthen European corporate governance arrangements for listed companies so that they are equally effective in supporting the provision of financial information of the highest quality to the capital markets. FEE supports the Commission in believing that EU-wide consistency needs to be achieved on such elements as confirming the collective responsibility of directors for financial reporting and the function of audit committees in providing high quality financial information for investors. The proposed European Corporate Governance Forum could support convergence of best practice and FEE would be pleased to participate in the Forum.

Regarding company law, FEE welcomed the initiatives to enhance consultation, including the creation of a structure to provide the Commission with expert advice. FEE noted that given its experience, the accountancy profession has a profound contribution to make to such a structure.

FEE also believes that for the auditing profession robust oversight in the public interest is necessary. Oversight is best organised at member state level with an EU co-ordination of the national systems. FEE supports the development of common EU principles on the appropriate composition and duties of public oversight arrangements. This will increase trust in the effectiveness of European audits. FEE however called on the Commission to ensure that an EU co-ordination of national systems does not lead to a further administrative layer of oversight at EU level.

On auditor liability, FEE is calling for the issue to be studied as a priority as FEE considers that there is a strong public interest in reform. Auditor liability should reflect the different responsibilities for financial reporting of management and auditors. It is essential that audit liability reasonably relates to the consequences of unsatisfactory audit performance. FEE therefore supports the European Commission's intention to study this issue and would like to see it progressed urgently.

*- Ends -*

**For more information contact:**

**Derek McGlynn**

Head of Communications

Tel: + 32 2 285 40 85

Fax: + 32 2 231 11 12

Email: derek\_mcglynn@fee.be

**Notes for Editors:**

1. For more information regarding the European Commission's Communication on Statutory Auditing and the Communication on Company Law and Corporate Governance visit: [http://europa.eu.int/comm/internal\\_market/en/index.htm](http://europa.eu.int/comm/internal_market/en/index.htm)
2. The **Fédération des Experts Comptables Européens** (FEE) is the representative organisation for the accountancy profession in Europe. It groups together 41 professional bodies from 29 countries. FEE member bodies are present in all fifteen member states of the European Union, nine European Union candidate countries and three member countries of EFTA. Between them, these bodies have a combined membership of 500.000 individuals, of whom approximately 94% are from EU countries.