

European Accountants Promote the Development of Audit Quality Assurance Systems in EU Member States

Time has come to fully consider the impact of the Statutory Audit Directive says FEE as 11 EU Member States are yet to set up public oversight bodies responsible for audit quality assurance

Thursday 18 January 2007 – BRUSSELS – The report published today by the European Federation of Accountants (FEE) studies the quality assurance systems and public oversight arrangements of 29 European countries, as of 1 July 2006. The two major findings are:

- Firstly, a significant number of EU Member States are still considering the impact of the Statutory Audit Directive in relation to the creation of a system of public oversight and the implementation of Article 29 on quality assurance.
- Secondly, all countries surveyed except one have a system of external quality assurance in place that covers all audit firms or all statutory auditors.

"The findings within *Quality Assurance Arrangements Across Europe* will contribute significantly to the ongoing debate on audit quality and the sustained efforts of the Profession in this field," said Xavier Aubry, Chairman of the group of experts who undertook the work.

The Paper also recognises FEE's strong support for public oversight bodies at EU Member State level which, while having the ultimate responsibility, allow for significant delegation to the profession. FEE President Jacques Potdevin stresses also the importance of having all stakeholders represented adding that: "each member of an oversight body should be competent and knowledgeable in the areas relevant to auditing".

The study finds that 11 EU Member States have yet to create a system of public oversight responsible for quality assurance systems as prescribed by the Statutory Audit Directive.

FEE emphasises that the Directive allows for the application of different quality assurance systems in the European Union and requires mutual recognition of these different regulatory arrangements of European Member States. This reflects the principle of home-country regulation and oversight by the Member State in which the statutory auditor or audit firm is approved.

The Statutory Audit Directive includes provisions related to third-country auditors and audit entities and their systems of oversight, quality assurance systems and systems of investigation and penalties. Such systems may be recognised as equivalent by Member States until the European Commission decides on equivalence at an EU level under the comitology or implementation procedure. FEE President Jacques Potdevin called for a quick EU decision explaining that: “diverging national initiatives in the area of recognition will only create inconsistency and risk confusing third countries: European credibility and competitiveness is at stake. Regulators from both within and outside the EU should cooperate with each other to coordinate and ensure that oversight regimes are of equivalent quality”.

In the European Union, the Statutory Audit Directive forms the basis for such coordination with third countries.

The Paper finds two different types of quality assurance systems generally operating in Europe. In ‘monitoring reviews’, quality assurance reviews are undertaken by staff employed by a review organisation. In ‘monitored peer review’, the review organisation organises and supervises the reviews to be undertaken by experienced and authorised practitioners of audit firms or statutory auditors. Despite these differences, both systems of monitoring and monitored peer review comply with the Statutory Audit Directive.

Drawing on the experiences in different European countries, FEE also highlights several recommendations for quality assurance systems. FEE Vice-President Philip Johnson, Chairman of the Auditing Working Party, adds: “I commend FEE Director Hilde Blomme for what is a unique piece of research in this field; her work with the group shows that the profession is fully committed to achieving consistent high quality in statutory audits. We believe that well-functioning and effective systems of quality assurance contribute greatly to reach this goal”. FEE hopes that this paper will play a significant role in implementing systems of quality assurance with the aim to maintain and enhance the quality of the audits performed by all practitioners in the public interest.

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Notes for Editors:

1. 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.
2. The FEE Paper – Quality Assurance Arrangements Across Europe – can be downloaded from the FEE website: www.fee.be.