Updates by other international and regional organizations

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Update
Federation of European Accountants (FEE)

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FEE federates PAOs across Europe

- **47** professional institutes
- **36** European countries, including all **EU 28**
- **800,000** professional accountants
FEE adds value to Members

- Representation toward stakeholders
- Analysing and influencing public policy developments
- Promoting cooperation among Members

Informs, advises & influences EU & international regulation, public policy, standard setting etc.

Facilitates consensus between Institutes, accountancy firms (big & small)…

EC, EP, Council, ESMA, EBA, EIOPA, IOSCO - IASB, EFRAG, IIRC, IFAC, IAASB, IESBA, IAESB, IPSASB, CAGs, PCAOB, OECD etc.
FEE Strategic Priorities

1. Corporate Reporting
2. Auditing
3. Taxation
4. Public Sector
Corporate Reporting

- EC IAS Regulation Review
- Future of Corporate Reporting
- Non-Financial and Diversity Information
Audit Policy Reform

• Process since Green Paper (November 2011)
• Legislation will take effect in June 2016

FEE aims to inform the debate:
• Consistent application in EU MS
  ▪ Maximum flexibility for companies
  ▪ Minimise administrative burden/costs for business
Factsheet

EU Directive on Statutory Audits of Annual and Consolidated Accounts and EU Regulation on Statutory Audit of Public Interest Entities

Background

The European Union (EU) audit market reform began in 2010 with a European Commission consultation entitled “Audit Quality: Lessons from the Crisis.” After this consultation process, the European Commission adopted its package on 30 November 2011 including a revision of the Statutory Audit Directive (SAD – Articles 42 to 48) applicable to all statutory audits within the EU and a Regulation (EUD – Articles 1 to 38) that are of statutory audit of Public Interest Entities (PIEs).

The two texts were adopted under the ordinary legislative procedure and signed on 28 October 2011. The transposition of the Directive and the Regulation have been decided to be published in the Official Journal (OJ) of the EU, respecting the Regulation.

Factsheet, FEE’s contribution to the debate

Independence and objectivity (Articles 22, 22a and 22b)

The amended text of the 2014 Directive is more specific than the 2006 SAD on the subject of independence and objectivity. The requirement of independence from the audited entity is put not only on the statutory auditor or audit firm, but now also on any natural person in a position to directly or indirectly influence the outcome of the statutory audit.

Some of the breaches to independence are mentioned in the 2014 Directive and include:

1. Self-review, self-interest and advising;
2. Financial, personal, employment, business or other relationships with the audited entity;
3. Trading a material and direct beneficial interest or engaging in any transaction with financial instruments of the audited entity (except interests owned indirectly through diversified collective investment schemes);
4. Acceptance of gifts with a value higher than considered trivial or inconsequential;
5. This definition is the same as in the IIA Auditing Standards, MALICIOUS 2.115.
9. i.e. often referred to as managed funds, such as pension funds or life insurance.

FAQs

Frequently Asked Questions - Audit Policy

FEE is pleased to share these Frequently Asked Questions (FAQ) on the European Directive on statutory audit of annual and consolidated accounts and regulation on statutory audit of public interest entities as adopted by the European Parliament in 2011.

These question and answers are provided with the intention of offering assistance of an general nature, to regulation, in particular, to those who are new to regulatory thinking. Noting these above please raise any specific issues and questions.

For questions in their own language FEE’s website offers a FAQ in various European languages.

To answer these FAQs is our priority, however, we are currently working until this moment and as work is performed in parallel, new FAQs are likely to be added on the webpage in the near future. This effort has to be seen as a work in progress.

EUD is part of the reforms on audit engagement in public interest engagements.

Reform of the audit profession is a joint effort to EUD in order to share the same vision of transparency, integrity and professional ethics. The aim of this revision is to enhance the quality of audit engagements and to enhance clients’ trust in their auditors and in the public interest.

1. What is the context of the reform of the audit market?
2. What are the objectives of the European Commission when launching this project?
3. Is the EU legislation on audit fees?
4. What is the form of the proposed legislation?
5. In general, what is the difference between a Directive and a Regulation?
6. When would this new legislation come into effect?
7. Why are the main provisions included in the Directive?
8. What are the options available to Member States in the Directive?
9. Are the options available to Member States an innovation?
10. How are they to be implemented?

Appointment of the auditor and engagement of the audit firm

1. Who is entitled to choose an audit engagement in more than ten years and the possibility to have additional requirements that are stricter than those ten years are Member State options.
2. An intervener in an audit engagement may be entitled to:
   a. A total period of 20 years, but only for a public sector body that is a body established or supervised by a Member State. Refer to below:
   b. A total period of 24 years, but only two audit firms, i.e. a joint audit firm is simultaneously appointed for the maximum duration period and present a joint report.
   c. There are specific transitional rules. Please refer to below for more details.

14. What are the transitional arrangements for the provision of mandatory audit firm rotation?

Transitional arrangements will vary depending on the length of the audit appointment at the date the new legislation comes into force. In some cases, the new legislation will be published in the OJ on 25 June 2013 and come into force on 20 June 2014.
   a. If the audit has been in place for 25 years or more, the first rotation must take place within six years, namely:
      ii. Mandate start – 30 June 2020
      iii. First rotation – 30 June 2020
      iv. Adoption of the Regulation – 15 April 2014
   b. If the audit has been in place between 11 and 20 years, the first rotation must take place within nine years, namely:
      ii. Mandate start – 30 June 2020
      iii. First rotation – 30 June 2020
      iv. Adoption of the Regulation – 15 April 2014
   c. Otherwise, the new regime will apply two years from the regulation implementation date, namely:
Future of Audit and Assurance

- 30 responses
- Discussion continues at FEE Audit Conference in June 2015
Taxation

• EC actions on Aggressive Tax Planning

• OECD actions on base erosion and profit shifting (BEPS)

• Facilitate broad debate on Tax Policy
  – Reflecting all sides: FEE Compendium
  – Matter for society as a whole: FEE Tax Day 29 April 2015
Public Sector

• A case for the profession and FEE

• EU Assessment of IPSAS

• EC Public Consultation + Conclusions

• FEE facilitates the EPSAS debate
Coming soon: new FEE Briefing Paper
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