Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

31st SESSION
15 - 17 October 2014
Room XVIII, Palais des Nations, Geneva

Friday, 17 October 2014
Afternoon Session

Updates by other international and regional organizations

Presented by

Laura Buijs
Manager, Corporate Reporting
European Federation of Accountants (FEE)

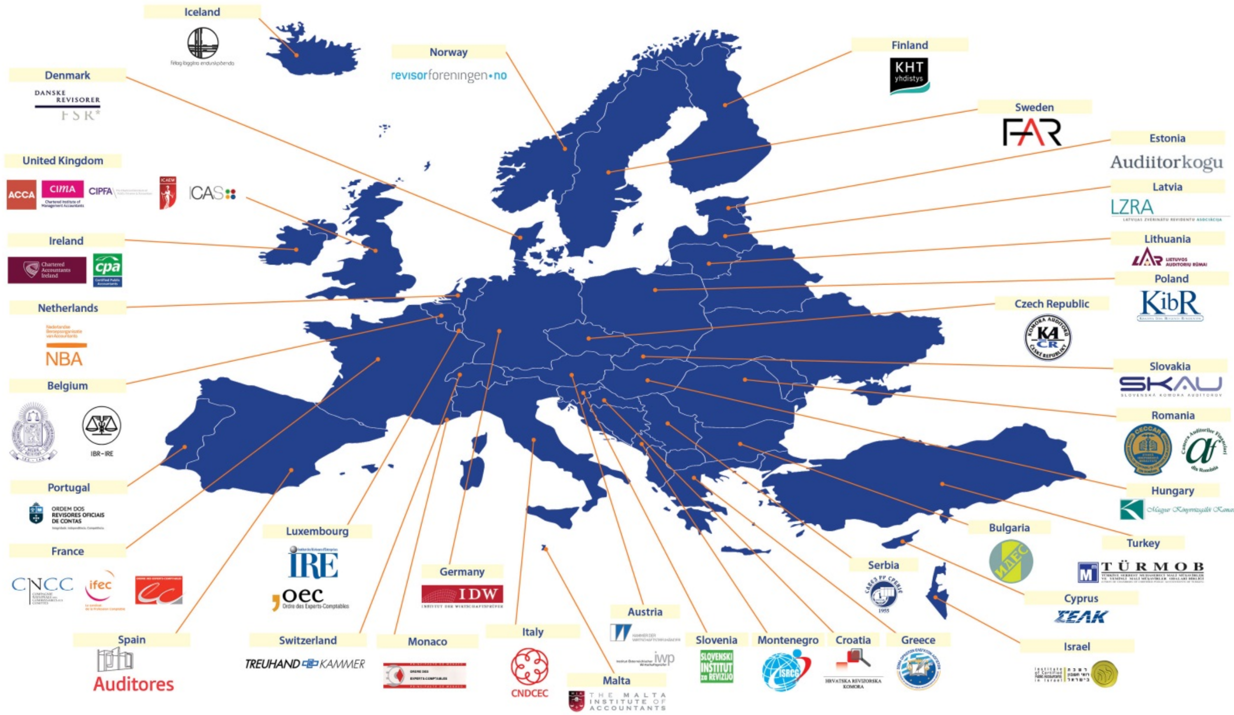
Update
Federation of European Accountants (FEE)

Laura Buijs

17 October 2014, Geneva

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**

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

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

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

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

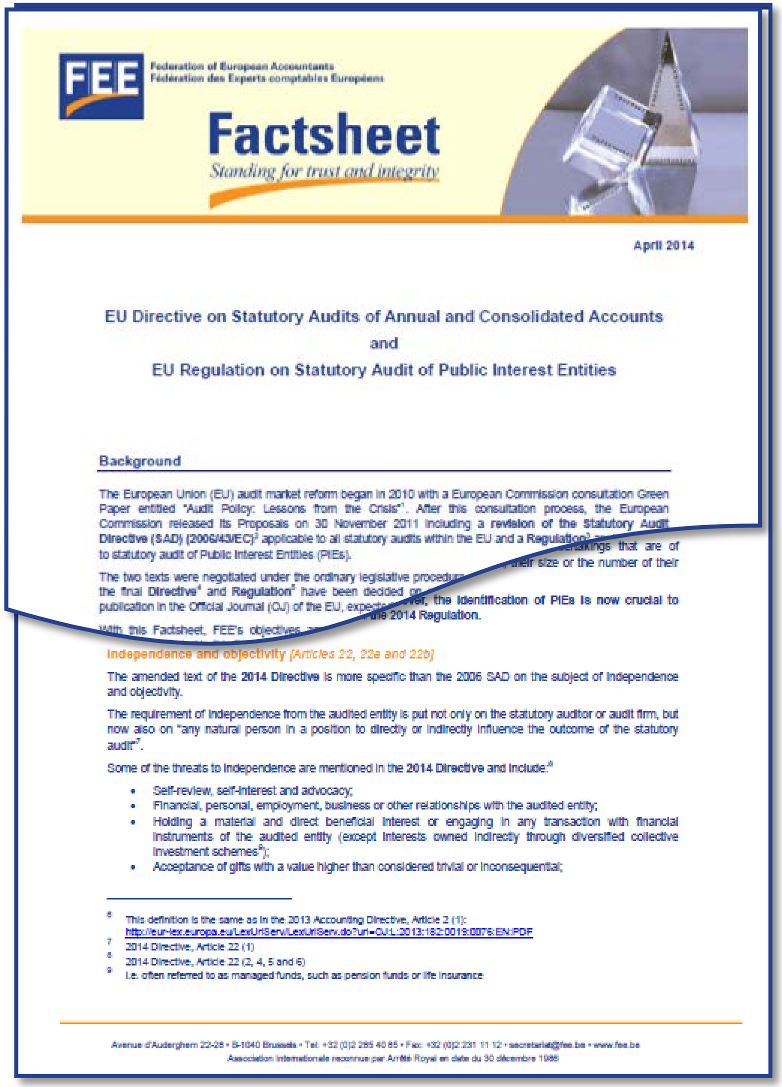
- Process since Green Paper (November 2011)
- Legislation will take effect in June 2016

FEE aims to inform the debate:

- Consistent application in EU MS
- Maximum flexibility for companies
- Minimise administrative burden/costs for business

Factsheet

FAQs



Federation of European Accountants
Fédération des Experts comptables Européens

Factsheet

Standing for trust and integrity

April 2014

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 Green Paper entitled "Audit Policy: Lessons from the Crisis"[1]. After this consultation process, the European Commission released its Proposals on 30 November 2011 including a **revision of the Statutory Audit Directive (SAD) (2006/43/EC)**[2] applicable to all statutory audits within the EU and a **Regulation**[3] ... to statutory audit of Public Interest Entities (PIEs).

The two texts were negotiated under the ordinary legislative procedure ... the final **Directive**[4] and **Regulation**[5] have been decided on ... publication in the Official Journal (OJ) of the EU, expected ...

With this Factsheet, FEE's objectives ...

... takings that are of ... their size or the number of their ... ver, **the identification of PIEs is now crucial to** ... **the 2014 Regulation.**

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"[7].

Some of the threats to independence are mentioned in the **2014 Directive** and include:[8]

- Self-review, self-interest and advocacy;
- Financial, personal, employment, business or other relationships with the audited entity;
- Holding 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[9]);
- Acceptance of gifts with a value higher than considered trivial or inconsequential;

[6] This definition is the same as in the 2013 Accounting Directive, Article 2 (1): http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:182:0019:0076:EN:PDF
[7] 2014 Directive, Article 22 (1)
[8] 2014 Directive, Article 22 (2, 4, 5 and 6)
[9] i.e. often referred to as managed funds, such as pension funds or life insurance

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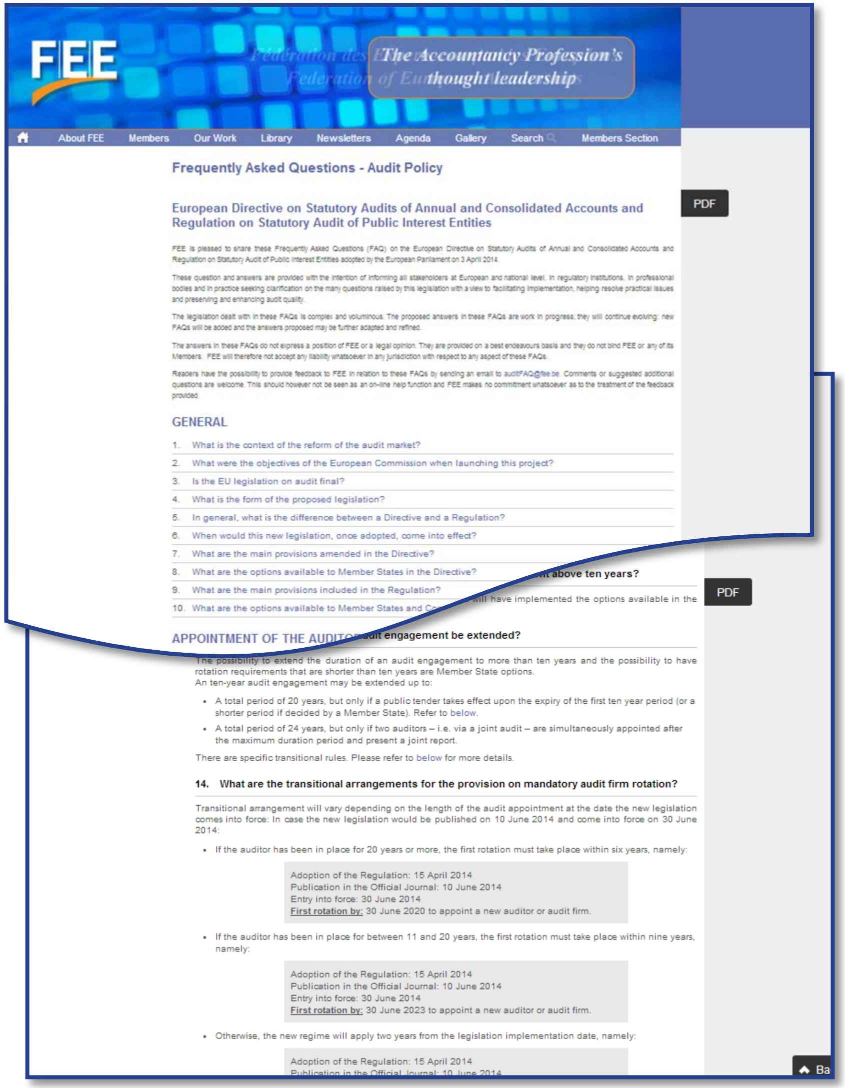
Association Internationale reconnue par Arrêté Royal en date du 30 décembre 1986



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Frequently Asked Questions - Audit Policy

PDF

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

FEE is pleased to share these Frequently Asked Questions (FAQ) on the European Directive on Statutory Audits of Annual and Consolidated Accounts and Regulation on Statutory Audit of Public Interest Entities adopted by the European Parliament on 3 April 2014.

These question and answers are provided with the intention of informing all stakeholders at European and national level, in regulatory institutions, in professional bodies and in practice seeking clarification on the many questions raised by this legislation with a view to facilitating implementation, helping resolve practical issues and preserving and enhancing audit quality.

The legislation dealt with in these FAQs is complex and voluminous. The proposed answers in these FAQs are work in progress; they will continue evolving; new FAQs will be added and the answers proposed may be further adapted and refined.

The answers in these FAQs do not express a position of FEE or a legal opinion. They are provided on a best endeavours basis and they do not bind FEE or any of its Members. FEE will therefore not accept any liability whatsoever in any jurisdiction with respect to any aspect of these FAQs.

Readers have the possibility to provide feedback to FEE in relation to these FAQs by sending an email to auditFAQ@fee.be. Comments or suggested additional questions are welcome. This should however not be seen as an on-line help function and FEE makes no commitment whatsoever as to the treatment of the feedback provided.

GENERAL

1. What is the context of the reform of the audit market?
2. What were the objectives of the European Commission when launching this project?
3. Is the EU legislation on audit final?
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, once adopted, come into effect?
7. What are the main provisions amended in the Directive?
8. What are the options available to Member States in the Directive?
9. What are the main provisions included in the Regulation?
10. What are the options available to Member States and Co...

APPOINTMENT OF THE AUDITOR

... above ten years?

PDF

... will have implemented the options available in the ...

... audit engagement be extended?

The possibility to extend the duration of an audit engagement to more than ten years and the possibility to have rotation requirements that are shorter than ten years are Member State options.
An ten-year audit engagement may be extended up to:

- A total period of 20 years, but only if a public tender takes effect upon the expiry of the first ten year period (or a shorter period if decided by a Member State). Refer to below.
- A total period of 24 years, but only if two auditors – i.e. via a joint audit – are simultaneously appointed after the maximum duration period and present a joint report.

There are specific transitional rules. Please refer to below for more details.

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

Transitional arrangement will vary depending on the length of the audit appointment at the date the new legislation comes into force: In case the new legislation would be published on 10 June 2014 and come into force on 30 June 2014:

- If the auditor has been in place for 20 years or more, the first rotation must take place within six years, namely:

  Adoption of the Regulation: 15 April 2014
  Publication in the Official Journal: 10 June 2014
  Entry into force: 30 June 2014
  First rotation by: 30 June 2020 to appoint a new auditor or audit firm.

- If the auditor has been in place for between 11 and 20 years, the first rotation must take place within nine years, namely:

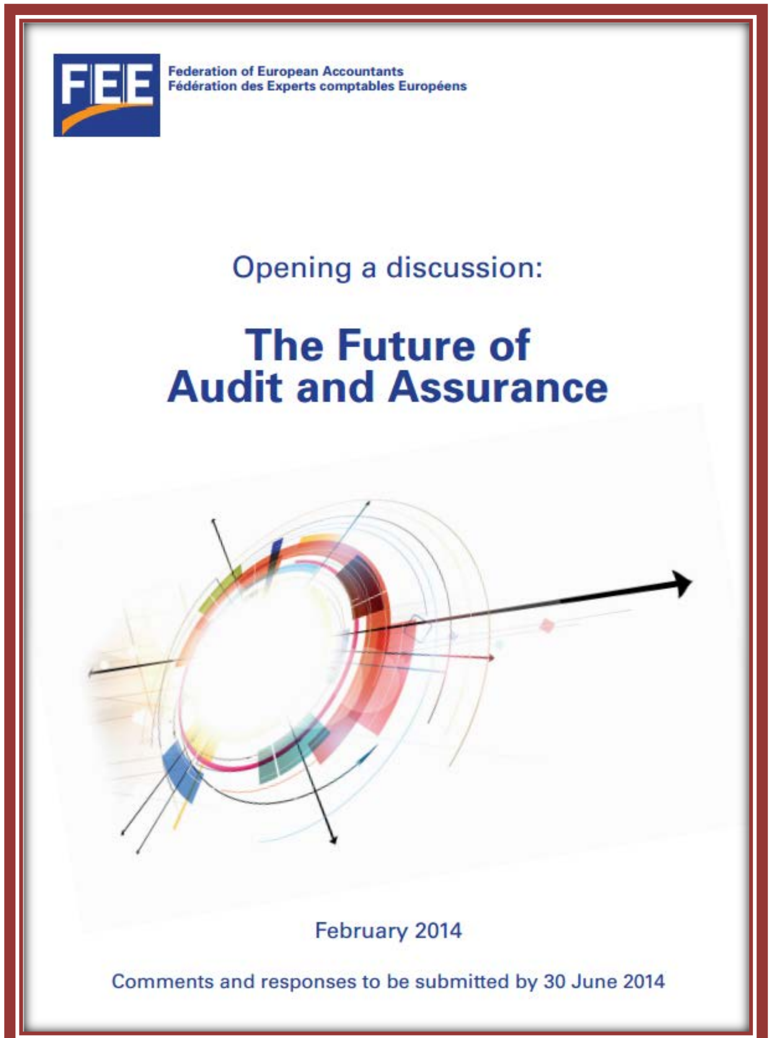
  Adoption of the Regulation: 15 April 2014
  Publication in the Official Journal: 10 June 2014
  Entry into force: 30 June 2014
  First rotation by: 30 June 2023 to appoint a new auditor or audit firm.

- Otherwise, the new regime will apply two years from the legislation implementation date, namely:

  Adoption of the Regulation: 15 April 2014
  Publication in the Official Journal: 10 June 2014

Ba

Future of Audit and Assurance



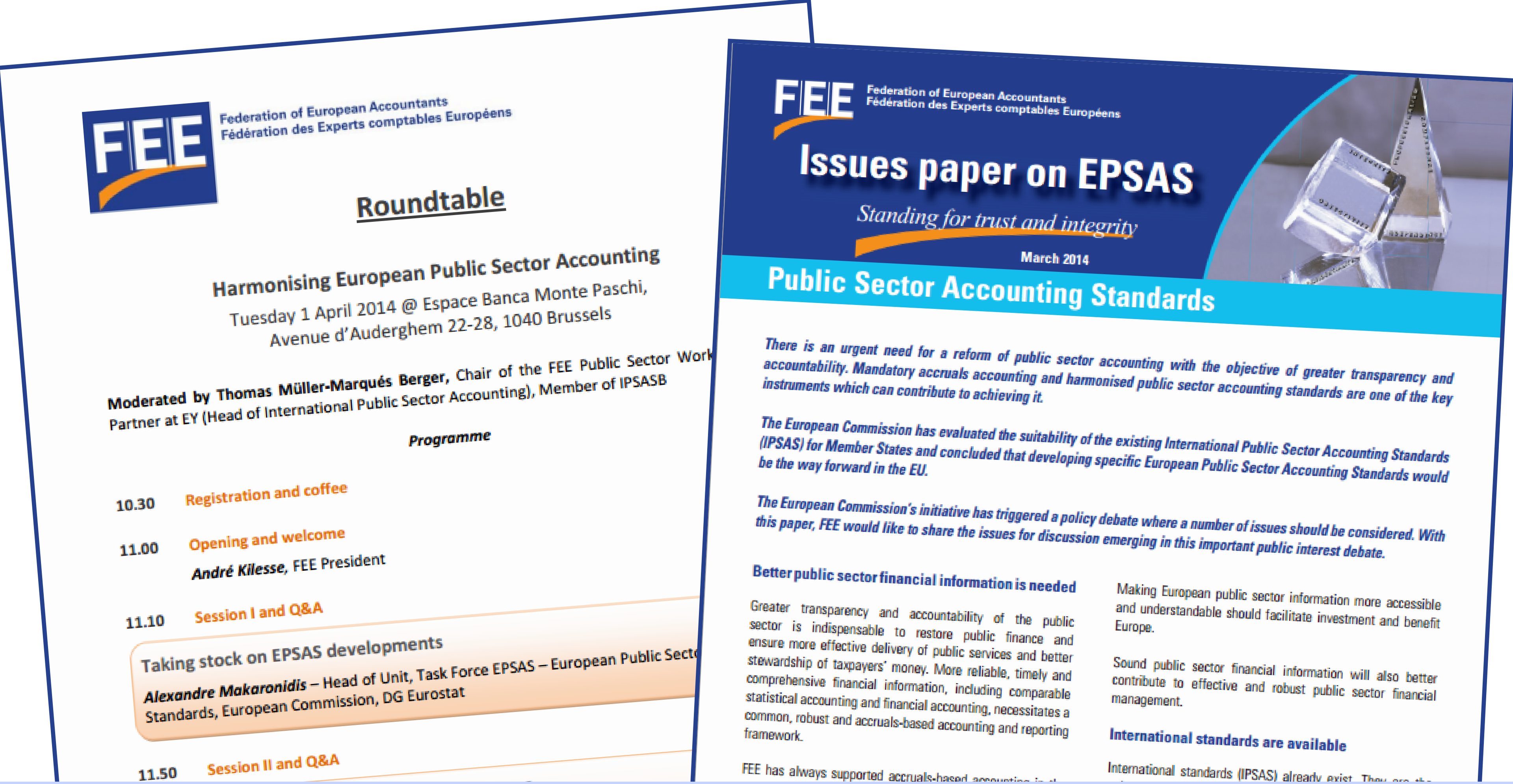
- 30 responses
- Discussion continues at FEE Audit Conference in June 2015

Taxation

- EC actions on Agressive 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



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Roundtable

Harmonising European Public Sector Accounting
Tuesday 1 April 2014 @ Espace Banca Monte Paschi,
Avenue d'Auderghem 22-28, 1040 Brussels

Moderated by Thomas Müller-Marqués Berger, Chair of the FEE Public Sector Work
Partner at EY (Head of International Public Sector Accounting), Member of IPSASB

Programme

10.30 Registration and coffee

11.00 Opening and welcome
André Kilesse, FEE President

11.10 Session I and Q&A

Taking stock on EPSAS developments
Alexandre Makaronidis – Head of Unit, Task Force EPSAS – European Public Secto
Standards, European Commission, DG Eurostat

11.50 Session II and Q&A

(Head of International Public Sector Accounting),

FEE Federation of European Accountants
Fédération des Experts comptables Européens

Issues paper on EPSAS

Standing for trust and integrity

March 2014

Public Sector Accounting Standards

There is an urgent need for a reform of public sector accounting with the objective of greater transparency and accountability. Mandatory accruals accounting and harmonised public sector accounting standards are one of the key instruments which can contribute to achieving it.

The European Commission has evaluated the suitability of the existing International Public Sector Accounting Standards (IPSAS) for Member States and concluded that developing specific European Public Sector Accounting Standards would be the way forward in the EU.

The European Commission's initiative has triggered a policy debate where a number of issues should be considered. With this paper, FEE would like to share the issues for discussion emerging in this important public interest debate.

Better public sector financial information is needed

Greater transparency and accountability of the public sector is indispensable to restore public finance and ensure more effective delivery of public services and better stewardship of taxpayers' money. More reliable, timely and comprehensive financial information, including comparable statistical accounting and financial accounting, necessitates a common, robust and accruals-based accounting and reporting framework.

FEE has always supported accruals-based accounting in the

Making European public sector information more accessible and understandable should facilitate investment and benefit Europe.

Sound public sector financial information will also better contribute to effective and robust public sector financial management.

International standards are available

International standards (IPSAS) already exist. They are the

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