



Fédération des Experts
Comptables Européens

Press Release

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SAFEGUARDING AUDITOR INDEPENDENCE

Leading professional body outlines how the principles
underlying the EC Recommendation on auditor independence
may be applied in practice

Brussels, 27 October 2004: "By considering the practical issues that arise when safeguarding auditor independence, FEE is building on its commitment of working to restore confidence in financial reporting," commented David Devlin, President of FEE, the European Federation of Accountants, at the launch (today) of a new publication which provides practical advice on the implementation of the European Commission's Recommendation on statutory auditor's independence in the EU.

"Auditor independence is a key issue. The reliability and credibility of the financial information enhanced by an audit underpins the efficient functioning of capital markets. The European accountancy profession supports a conceptual framework approach to auditor independence, including restrictions and in certain situations prohibitions, supplemented by appropriate guidance" added Dr. Harald Ring, Chairman of the FEE Ethics Working Party.

Both the EC Recommendation and the Code of Ethics of IFAC (International Federation of Accountants) utilise a conceptual framework approach to independence as supported by FEE evidenced by its first paper on the conceptual approach published in 1998. The Recommendation requires auditors to identify, consider and document potential threats to their independence and to detail the safeguards which have been put in place to eliminate those threats.

Ahead of the adoption of the revised Eighth Company Law Directive on the statutory audit of annual accounts and consolidated accounts, which is likely to provide an appropriate legal underpinning of the conceptual approach to auditor independence, the European accountancy profession is demonstrating how the underlying principles of the Recommendation may be applied in practice.

"FEE is recognised as a thought-leader in the area of auditor independence. The publication is a welcome tool giving support to regulators, supervisors, practitioners and institutes on the application and further development of the framework approach. The FEE paper will assist auditors to identify potential threats to their objectivity and possible safeguards that may be applied to eliminate or substantially mitigate such threats," explained FEE President David Devlin.

The FEE publication also provides a comparison of the requirements of the EC Recommendation with that of the independence section of the International Federation of Accountants (IFAC) Code of Ethics.

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Notes for Editors:

1. The publication **EC Recommendation on Statutory Auditor's Independence in the EU and comparison with the Independence Section of the IFAC Code of Ethics for Professional Accountants - Considerations on the Implementation of the Framework Approach** can be downloaded free-of-charge from the FEE website (<http://www.fee.be>) or copies may be ordered from Sylvie Romancide (Fax: + 32 2 231 11 12, Email: Sylvie_Romancide@fee.be).
2. FEE is a leading participant in the auditor independence debate. Relevant publications include: Statutory Audit Independence and Objectivity (1998); The Conceptual Approach to Protecting Auditor Independence (2001); and A Conceptual Approach to Safeguarding Integrity, Objectivity and Independence throughout the Financial Reporting Chain (2003). The aforementioned publications may be downloaded free-of-charge from the FEE website (<http://www.fee.be>)
3. For more information about the European Commission (EC) Recommendation of 16 May 2002 on "Statutory Auditor's Independence in the European Union (EU): A Set of Fundamental Principles": http://europa.eu.int/comm/internal_market/auditing/officialdocs_en.htm
4. For more information about the IFAC Code of Ethics: http://www.ifac.org/Members/Downloads/2003_Ethics.pdf
5. The **Fédération des Experts Comptables Européens** (FEE) is the representative organisation for the accountancy profession in Europe. FEE's membership consists of 41 professional institutes of accountants from 29 countries. FEE member bodies represent more than 500,000 accountants in Europe. Roughly 45% of these accountants work in public practice, providing a wide range of services to clients. The other 55% work in various capacities in industry, commerce, government and education.