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**Panel Discussion:
Developing Oversight Arrangements,
Establishing Cooperation at Community Level
and Registration and Oversight
of Third Country Firms**

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Thank you for the floor, Chairman, and good morning, ladies and gentleman.

In the Czech Republic, we have a saying "What is small, is pretty". It would be difficult for me to find logical arguments for that after the excellent presentations of my preceding speakers from the largest EU countries, however, I'd like to share a couple of ideas developed during my work in the Expert Group appointed by the Czech Minister of Finance for the transposition of the Statutory Audit Directive and also from some projects realized on behalf of FEE, the World Bank and PwC in the Central and Eastern Europe.

My preceding fellow speakers focused on the situation in two large and old EU member states and my successor Paul Boyle will do the same for the UK.

Therefore, I would like to stress that the situation in the smaller, particularly new EU member states is different and so is the situation in Romania and Bulgaria, which - considering the latest accession decision of the EU - need to be added to the implementation equation.

Without getting too much in detail, I would like to stress in my introductory remarks some critical issues and traps faced by these countries.

1. Public oversight is not state inspection

I believe, considering also the Preamble to the Directive, that the composition of the Public Oversight Body should be composed by three pillars, none of which should have the overall majority:

- a. the government representatives and/or financial regulators,
- b. the investors and capital market representatives
- c. the representatives of the audit profession.

In the Czech Republic, the Expert Group is considering five places on the Board, representing the Ministry of Finance, central bank in its role as the joint financial regulator, the investment and pension funds industry, the stock exchange and the audit profession. However, the experts nominated by them do not necessarily have to be members of those bodies, the appointment of freelance experts and academics might form a viable option.

2. The system needs to attract trustworthy experts in the financial reporting and auditing areas

This might be finally a difficult, but mission critical task. There is only a limited number of auditing experts outside the audit profession available in the new EU member states and the situation is only marginally better regarding financial reporting outside the CFO's and Chief Accountants' community. Therefore well defined roles for the public oversight and a clear commitment of the nominating bodies seems to be essential to make these positions attractive for suitable candidates.

3. The general scarcity of funding resources triggers high pressure not only on effectiveness but also on efficiency of the solutions

The state of financial markets and developments of the national economies do not warrant creation of large bodies with extensive budgets like the UK FRC or US PCAOB.

Therefore, the public oversight bodies in the smaller states need to be very efficient, supported by a small executive office with large powers to use the professional institutes and external experts for inspection and review purposes and avoid any undue duplications in effort. In the Czech Republic the expert group is proposing to allow the oversight to use also audit firms, particularly for monitored peer type oversight of the non-public interest entity audits.

It seems currently, that a multi-channel funding is considered in many countries, however, a significant part of these cost would need to be covered by state budgets of most of the small countries, since the profession is already funding the existing inspection systems of the chambers and institutes, which will mostly be retained.

I would like to particularly stress the necessity of communication, information and knowledge exchange by all stakeholders both inside the smaller countries and cross-border to avoid reinventing the wheel.

I expect that some of the presented ideas would be challenged by the present conference participants, however, I hope that such challenges would trigger proper panel discussion.

Thank you for your attention.