

# Developing a sound audit policy

The European Commission stressed the importance of the auditors' role: "Robust audit is key to re-establishing trust and market confidence; it contributes to investor protection and reduces the cost of capital for companies. FEE has long promoted these objectives mainly by reassessing audit policy and practices.

FEE represents 45 professional institutes of accountants and auditors from 33 European countries that comprise more than 500.000 professionals working in small and large audit firms and enterprises. This diversity enables FEE to recognise the public interest in all its work.

## First things first: Implementing the Statutory Audit Directive and adopting International Standards on Auditing (ISAs)

Four years after the adoption of the Statutory Audit Directive (2006/43/EC), some Member States had yet to implement it. The European Parliament already deplored this delay in its resolution of 10 March 2009. Such legislative and regulatory changes do not immediately induce change in behaviours and markets and the benefits of these reforms need time to fully materialise.

In the same resolution, the Parliament was visionary in calling on the Commission to adopt clarified ISAs. FEE supports the adoption of the clarified ISAs for all statutory audits through a legally binding instrument at EU level as they would contribute to enhancing auditors' communication and reporting, reinforcing professional scepticism and group audits, enabling cross border mobility and coordination between audit supervisors: i.e. many of the concerns expressed in the Commission's Green Paper on Audit Policy.

## Reassessing corporate reporting and governance

The preparation and presentation of financial and other information is a responsibility of management and the board(s) of companies. The auditor's responsibility consists of auditing this information. This is why any discussion about the auditor's role needs to start with the underlying financial reporting framework and its ability to meet the needs of stakeholders.

For instance, companies could, if of interest to investors, report in a proportionate way on the assumptions on which the entity's ability to continue as a going concern is based. They could also disclose additional information on key risks associated with the entity's business model and its longer term sustainability. The auditor is well positioned to add value by providing assurance on this and other additional information.

FEE also agrees with the Parliament's resolution of 10 March 2009 that the role of audit committees is important. They are key to guarantee the independence of auditors, select, appoint and remunerate auditors of public interest entities, maximise the quality of audits and enhance the frequency and quality of communication between companies and their stakeholders.

FEE believes that, with these widely supported and long awaited policy actions, the Commission would really make a difference. On its side, the accountancy profession is eager to play its part to respond to today's demand for enhanced transparency, reliability, independence and ethics.

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