



## WORKSHOP ON THE IMPLEMENTATION OF THE AUDIT REFORM BY AUDIT COMMITTEES

BRUSSELS, 19 SEPTEMBER 2018



**19 September 2018 - ecoDa / ECIIA Workshop on the implementation of the Audit Reform by Audit Committees**

***From 10:00 to 16:00***

***Residence Palace, Passage room, rue de la Loi 155 - 1040 Bruxelles***

### **Context:**

One core tasks of the CEAOB (Committee of European Auditing Oversight Bodies) is to facilitate and streamline the monitoring of the audit market with a focus on quality and confidence of the market for providing statutory audit services to public-interest entities.

As required by Regulation No 537/2014, the Commission published in September 2017 [a joint report](#) based on the national market monitoring reports prepared by the national competent authorities and the European Competition Network.

On audit committees the EC states the following in its conclusions:

*“The audit reform has boosted both the role and powers of the audit committees, as they are essential to giving the new audit rules real teeth. The analysis, however, shows that most NCAs have very little experience in monitoring the ACs’ activities and performance. To overcome this problem the NCAs should have appropriate tools to assess the ACs’ performance and receive the information they need to monitor how ACs are complying with the new rules. For their part, AC members should be made aware of their new responsibilities and more prominent role. At this stage, engaging with ACs and raising awareness is vital. This would not necessarily entail redefining or changing the national corporate governance frameworks or the supervisory remit of NCAs. Each national authority would be free to decide the best approach and the most appropriate tools to assess the ACs’ performance. Existing experience shows that cooperation and dialogue are useful and effective tools. Some NCAs have already started meeting ACs (and have even provided guidelines) to make them aware of the new framework and of their additional responsibilities. However, a great deal of work clearly remains to be done. **The Commission could have a role to play in promoting this dialogue and in engaging with ACs directly to better understand their experience in implementing the audit reform”.***

To prepare the next report, the CEAOB will launch through the National Competent Authorities (NCA) a questionnaire to audit committee chairs in order to get more insights on the way they are applying the new audit reforms. The questionnaire will be issued in September and audit committees' chairs will have about 6 months to respond.

In preparation of the final report, all responses sent to the European Commission by NCAs will be on an anonymous and aggregated basis.

**Objective:**

The objective of this workshop is therefore to raise awareness of this upcoming questionnaire towards audit committees and to gather some insights on where they stand with the audit reform's implementation.

**Format:**

A roundtable discussion organised if possible in the premises of DG FISMA to gather audit committees' members from different countries and to give them as much as possible visibility.

Each institute of directors should suggest two-three members to take part. Speakers will then be selected from this pool. ECIIA will select people that were internal auditors and are now members of Audit Committees to share their experience about the role internal auditors can play in the evaluation of the audit quality as well as the independence and selection of the statutory auditors.

**DRAFT PROGRAMME:**

**10.00: Welcoming**

**10.30: Welcoming speeches:**

- Anne-Hélène Monsellato, Chair of ecoDa's Working group on Audit Committees
- Farid Aractingi, Chair of ECIIA

**10.50: Keynote speech: The European Commission (DG FISMA)**

**11.15- 13.15: Panel 1 on Monitoring of audit selection, rotation, and independence - *moderated by Xavier Bedoret***

- Introductory remarks from Ralf Bose, Chair of the CEAOB, The CEAOB: its remit and the work performed.

- Panel discussion with Audit Committee members

- Year 2 of the implementation of the audit reform, what are the difficulties encountered with respect to the new requirements (mandatory rotation, appointment of auditors and non audit services preapproval)?
- How practices have changed regarding the new requirements \_ what do you do differently?
- Overall, would you say that communication on independence between the audit committee and the auditors has improved materially?
- Do you believe that auditors' independence has been substantially improved by the new rules (in proportion to, or greater than, the additional effort)?
- Do you believe that the objectives of the audit reform regarding deconcentration of the audit market will be reached?

- (13.00):: Benchmark on auditors' fees (*Audit Analytics is a leading provider of audit, regulatory, and disclosure intelligence. From audit fees and auditor changes, restatements, and internal control opinions, to PCAOB inspection reports and auditor ratification votes, Audit Analytics offers comprehensive data analytics on SEC public companies – Audit Analytics is a commercial entity - not endorsed by the organizers*).

13.15 – 13.45: Lunch break

**13.45 - 15.45: Panel 2 on Monitoring of audit quality (qualitative and quantitative) - moderated by Anne-Hélène Monsellato**

- Introductory remarks from Martin Kelly, CEAOB - Presentation on the upcoming questionnaire
- Panel discussion with Audit Committee members (from ecoDa and ECIIA)

The EU Audit Reform requires that the audit committee shall:

- inform the administrative or supervisory body of the audited entity of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process ; and
- monitor the statutory audit of the annual and consolidated financial statements, in particular, its performance, [...]

The explicit purpose of these requirements is to strengthen audit quality.

Questions

- How would you define audit quality, have your views/practices regarding audit quality changed with the audit reform?
  - Audit committees are often at the crossroad between management and the auditors. Have you experienced situations where there was a perceived general lack of quality ? What did/would you do ? How do you assess your impact on audit quality ?
  - Understanding the business and aligning risk assessment between external auditors, internal auditors and the audit committee is a starting point for audit quality. What is your experience and how do you rate the cost/benefit balance (proportion of the audit effort on risk areas) ?
  - What other factors would materially impact audit quality (auditing standards, definition of materiality, use of technology in the audit, etc) ?
  - Inspections have driven stricter interpretations of auditing standards, with a correlative increase in audit procedures and an impact in the sophistication of finance departments (in particular for smaller listed companies). Do you believe the new requirements will actually increase audit quality overall and eliminate large audit failures ? Other consequences, if any ?
- Wrap-up of best practices

**15.45: Concluding remarks from Anne-Hélène Monsellato and Farid Aractingi**

**16.00: End**

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