

PRESS RELEASE

Guidance for audit committees on the EU audit legislation

Brussels, 21 June 2016

EU Audit legislation, which came into force last Friday, introduces more detailed requirements regarding the statutory audit of ‘Public Interest Entities’ (PIEs). According to the EC press release¹ at the time of adoption, the legislation aims to improve audit quality and to restore investor confidence in financial information, by:

- Reinforcing the independence of the statutory auditor
- Contributing to a more dynamic audit market in the EU
- Reinforcing the role and competence of the audit committee

Given that the functions assigned to audit committees have been extended in various ways, the European Confederation of Directors’ Associations (ecoDa) in cooperation with PwC has decided to help audit committee members understand the main changes by providing a description of aspects of the new legislation, focusing on the composition and governance of audit committees, selection and appointment of the audit firm, monitoring the auditor’s independence, auditor reporting requirements and oversight.

Many companies have yet to assess the full implications of the reform and are still in the process of getting ready to adapt to these changes.

The new EU regulatory framework contains a number of Member State options; for each of these aspects, flexibility is left to the Member States to opt for lighter or stricter rules. Flexibility in governance matters is a good policy in general, however, it is important that the final national implementing laws result in a coherent framework that enhances audit quality and leaves audit committees in a situation where they can properly perform their new duties.

As stated by Turid Solvang (ecoDa’s Chair), “Putting Audit Committees at the heart of the audit reform acknowledges their important role. The interpretation of the legislation by the all Member States should be consistent with the initial spirit of the European Commission”.

Jan McCahey, PwC Global Regulatory Leader stated: “Audit committees have an important role to play in robust corporate governance. It will take time for all to become familiar with the EU audit legislation and for best practice to emerge; the guide is designed to help audit committees understand the practical implications and offer some examples of good practice”.

¹ EC press release of May 2014: [http://europa.eu/rapid/press-release MEMO-14-427_en.htm?locale=en](http://europa.eu/rapid/press-release_MEMO-14-427_en.htm?locale=en)

The guidance will be released during an event on 21 June 2016 in Brussels, where audit committee members will discuss aspects of the guide and exchange best practice.

About ecoDa

The European Confederation of Directors Associations (ecoDa) is a not-for-profit association founded in December 2004 under the laws of Belgium. Through its national institutes of directors (the main national institutes existing in Europe), ecoDa represents approximately 55,000 board directors from across the EU. ecoDa's member organisations represent board directors from the largest public companies to the smallest private firms, both listed and unlisted.

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