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Promoting Regulatory Excellence

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**EUROPEAN DEVELOPMENTS
& BELGIAN IMPLEMENTATION**

**AUDIT DIRECTIVE
GREEN PAPER**

Introduction

- Public Oversight System
- Standards setting
- Quality Assurance
- Investigation & Disciplinary procedures

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Public Oversight: Audit Directive

- Public oversight 'system'
- Final and ultimate responsibility of the oversight
 - Access to the profession
 - Public register
 - Standards on auditing
 - Permanent education
 - Quality assurance, investigations and disciplinary procedures

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Public Oversight - Belgium

- Composition: majority of non-professionals
- Funding: no undue influence of the profession
- Transparency: working programme, activity report
- Coordination and cooperation of the system (national and European): HCEP in Belgium

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Public Oversight - Belgium

- High Council for the Economic Professions (HCEP)
- Chamber of Disciplinary Transfer and Indictment (CDTI)
- Minister of Economy
- Disciplinary authorities
- Advisory and Supervisory Committee on the independence of the statutory auditor (ACCOM)
- Public Prosecutor

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Public Oversight - Principles

- "Oversight" & delegated activities
- Fundamental democratic principles of separation of powers:
 - Legislative (standards setting)
 - Executive (inspections; investigations)
 - Judicial (disciplinary)

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- Public Oversight System
- Standards setting
- Quality Assurance
- Investigation & Disciplinary procedures

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Standards setting

- IAASB (IFAC) – standards on auditing :
 - Clarified ISAs
 - Official translation into
 - French (CNCC, France & IBR-IRE, Belgium)
 - Dutch (NBA, The Netherlands & IBR- IRE, Belgium)
- IESBA (IFAC) – Code of Ethics
 - Risks & safeguards approach
 - Prohibitions

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Auditor's independence

- EC Green Paper 2010 – some proposals
 - Prohibition of non audit services (*vs. self review-threats*)
 - External rotation (*vs. internal rotation*)
 - Appointment & remuneration by third parties (*vs. workers' council; audit committee; shareholders' committee; etc.*)

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Auditor's independence

- Comments
 - Relation with the 2008 financial crisis?
 - Not proportional to the objective – alternatives
 - Contrary to EU competition rules
 - Not compliant with international rules
- Legal Affairs Committee EP – 24.05.2011

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Standards setting

- Clarified ISAs (2012 PIE's; 2014)
- Exposure draft (public consultation) by the IRE/IBR
- Approval (endorsement) by the Public Oversight system
 - HCEP
 - Minister of Economy
- Publication in the Belgian Official Gazette

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- Public Oversight System
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Quality assurance system

CDTI (on proposal by the IBR-IRE):

- approval of the inspectors
- approval of the annual list of quality assurance reviews
- evaluation of the conclusions of the quality assurance reviews

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Quality assurance system

| PIES | Non-PIE's |
|--|---|
| <ul style="list-style-type: none">• External inspector• Every 3 years | <ul style="list-style-type: none">• Inspector (auditor)• Every 6 years |

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Quality assurance system

- Report by the inspector
- Proposal by the IBR-IRE
- Decision by CDTI
 - Close the case
 - Recommendations to registered auditors
 - Intermediate (advanced) quality review
 - Transfer to the Disciplinary Commission (after recommendations)

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- Public Oversight System
- Standards setting
- Quality Assurance
- Investigation & Disciplinary procedures

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Investigation

- Investigation by
 - IBR-IRE or
 - CDTI (experts)
- Proposal by IBR-IRE or experts
- Decision by CDTI
 - Close
 - Investigation
 - Disciplinary

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Investigation

CDTI:

- indictment of disciplinary cases
- access to individual files at any time
- possible assignment of an expert
- require IRE-IBR to start an investigation
- require IRE-IBR to perform additional investigation
- regulate the procedures started by complaints
- require IBR-IRE to impose an injunction to an auditor to make an end to a contested situation.

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Disciplinary procedures

- Procedure filed by IBR-IRE (in line with CDTI)
- Decision by disciplinary authorities
 - Disciplinary Commission
 - Commission of Appeal

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Conclusion

- Public oversight - separation of powers
 - Standards setting
 - Quality assurance - Investigations
 - Disciplinary
- EC Green Paper on Audit – EP Report
 - New engagements – cap on liability
 - Harmonised international ethical rules
 - Credibility of the public oversight system

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