



# **The audit committee as guardian of the shareholders' interests: Stakeholder expectations and good practices**

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**Kristjan Verbič**

**European Federation of Financial Services Users  
(EuroFinUse), Board Member**

## ABOUT EUROFINUSE

- **EuroFinUse (The European Federation of Financial Services Users)** was founded in **2009** under the name of EuroInvestors by several founder organizations: **Euroshareholders, FAIDER, the VEB** and other financial services users' organizations
- **EuroFinUse advocates for all private investors:** private shareholders, bond holders, fund investors, life insurance policy holders, bank savers, pension fund participants, etc.
- Today EuroFinUse represents **50 national associations** and about **4 million European citizens**
- Objective: **restore confidence and trust in the financial markets**



## ABOUT EUROFINUSE

- President: **Jean Berthon** (FAIDER)
- Vice-President: **Jella Benner-Heinacher** (DSW)
- Vice-President: **Jan Maarten Slagter** (VEB)
- Vice-President: **Leif Vindevag** (Aktiespararna)
- Managing Director: **Guillaume Prache**



## THE VALUE OF AUDIT FOR INVESTORS

### *What do Investors expect?*

- Clear statement on the status of the company
- Attestation of reliable bookkeeping
- True and fair value of the company

### *But the reality is different: The current expectation cannot be achieved*

- In general backwards oriented opinion
- Exception fair value assessment
- In general mainly based on the data of the directors



## ***How can we close or reduce the expectation gap?***

### **Through more auditor independence?**

1. Clear limits on possible consultancy services of the statutory auditor, e.g. black list of services not allowed (as seen in the proposed reform of Audit at EU level)
2. Written declaration of independence prior to the appointment of the auditor



### 3. Give more power and expertise to the **Audit Committee** and to the Supervisory Board (in a two-tier system)

- Support of the Audit Committee by a second financial expert
- More power with regard to auditor selection and fee agreement
- More independence from the directors (own budget?)
- Prior approval of any consultancy services by Audit Committee
- Limits on fees for consultancy services in relation to auditing (non-audit fees should not exceed 50 % of the audit fees)
- Regular tenders/beauty contests: every 5 – 7 years
- This should lead to a rotation of audit firms
- Maximum length of any mandate: 15 years



## ***How can we close or at least reduce the expectation gap?***

**Through more transparency of the work of the auditor towards the Supervisory Board and the Investors:**

- Improve comprehensiveness of financial reporting
- No empty phrases / no stereotypical expressions
- But a clear statement towards the investors
- Independent judgment of the future perspective of the company including full disclosure of the underlying assumptions



## **The EU Audit Reform: a new role for the Audit Committee**

- ✓ **European Commission Proposal November 2011**
  
- ✓ **European Parliament Legal Affairs (JURI) Committee vote April 25th 2013**
  - **Role of the Audit Committee further strengthened by the as regards to the proposal from the European Commission**
  
  - **Audit Committee assessment and approval of non-audit services**
  
  - **Enhancement of auditors' accountability to the Audit Committee**

***but what about one-tier corporate governance systems in Europe?***

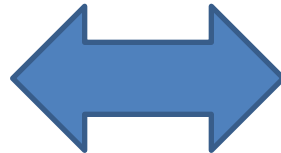




## *How can we close or reduce the expectation gap?*

**Objectives should be attainable through:**

More Transparency  
More Quality  
More Independence



**Audit Committee**



**International Conference on 'The Audit Reform -  
Impact on Investors'**

**European Parliament, Brussels, 26 March 2013**



**Panel Speakers included:**

- ***Michel Barnier, EU Commissioner for Internal Market***
- ***Nathalie Berger, Head of Unit Audit and Credit Rating Agencies, European Commission***
  - ***Audit Reform Rapporteur Sajjad Karim, Member of the European Parliament, UK ECR***
  - ***Audit Reform Shadow Rapporteur Antonio Masip, Member of the European Parliament, Spain S&D***
  - ***Audit Reform Shadow Rapporteur Sebastian Bodu, Member of the European Parliament, Romania EPP***
- ***Representatives of PwC, Deloitte, Mazars, Grant Thornton, Rödl & Partner, CFA Institute, ACCA, ecoDa, and USS***



The European Federation of Financial Services Users  
Fédération Européenne des Usagers des Services Financiers

***Thank you for your attention***

**[verbic@vzmd.si](mailto:verbic@vzmd.si)**

**<http://www.investo.si/>**



Vseslovensko združenje malih delničarjev  
PanSlovenian Shareholders' Association

