



The Importance of Professional Bodies in Regulating the Audit Profession

Prof. PhD Horia Neamțu
CAFR President

Structure of the presentation

- CAFR and its attributions
- CSPAAS and its attributions
- Main EC proposals on audit
- New challenges for professional bodies
- Conclusions

CAFR and its attributions

The Chamber of Financial Auditors of Romania is the professional body established by the GEO no. 75/1999 on the financial audit activity, with the subsequent changes and amendments. On behalf of the State, the Chamber is the authority in charge of **organizing, coordinating and authorizing** the performance of the financial audit in Romania.

The activities performed by CAFR include:

- **The Quality assurance** of the financial audit activity, by means of the inspections carried out by the Chamber,
- **The education and professional development** of auditors and trainees in audit (organization of practical training exams and exams of access to the profession),
- Keeping the **CAFR Members' registry** (physical and legal persons) and providing services to the members (reception of annual reports and activity statements, granting the annual visas on the CAFR member cards),

CAFR and its attributions

- Organization of **courses and training seminars**, as well as of conferences and congresses with internal and international participation; starting with 2012, CPD courses are also provided in the framework of the e-learning system, besides the classical courses,
- Carrying out **the system of investigations and sanctions** and overseeing the observance of the **ethical principles**, promoted by the IFAC Code of Ethics of Professional Accountants, adopted by the Chamber,
- **Promoting the financial auditor profession**, internally and abroad,
- Representing the members, financial auditors, in relation with the internal regulatory bodies and State authorities.
- Publishing **guides, specialised journals, professional norms**, supporting the members in their performance of financial audits in Romania.

CAFR and its attributions

La **31 decembrie 2011** CAFR înregistra un număr de:

- **4046** auditori financiari, persoane fizice;
- **951** firme de audit;
- **1548** stagiaari

Camera are sediul central la București.

2010 – deschiderea reprezentanței de la Iași (regiunea de dezvoltare Nord-Est)

28 iunie 2012 - deschiderea reprezentanței de la Brașov (regiunea de dezvoltare care va deservi Centrul țării)

Reviste de specialitate editate de CAFR:

- „**Audit financiar**”
- „**Practici de audit**”

Website propriu: www.cafr.ro (secțiuni în limba română și engleză) Chișinău

Republic of Moldova
21-23 June 2012

CSPAAS and its attributions

By the GEO 90/2008, implementing in the Romanian law the provisions of the Statutory Audit Directive 2006/43/EC, the Council for the Public Oversight of the Statutory Audit Activity was established (**CSPAAS**).

According to the provisions of the GEO 90/2008, the Romanian system of public oversight has the final responsibility for the following activities:

- a) Approval and registration of statutory auditors and audit firms;
- b) Adoption of audit standards, ethical standards and internal quality control standards;
- c) Continuous professional development;
- d) Quality assurance and quality assurance reviews; and
- e) Ensuring the investigations and discipline systems.

--Even if CSPAAS has the final responsibility for these activities, in practice, they are carried out by CAFR.

Main EC proposals on audit

30 November 2011 – the EC publishes its legislative package on audit:

- a directive amending the current statutory audit Directive
- a new regulation containing specific requirements for the audit of public interest entities

Main elements of the proposals :

- *Mandatory rotation* of audit firms: audit firms will need to rotate every 6 years (9 years for joint audits). A cooling off period of 4 years is applicable before the audit firm can work again for the same client.
- *Mandatory tendering*: for public interest entities, the process of selecting the auditor has to be open and transparent. The audit committee will be involved in the procedure.
- *Prohibition of Big 4- only contractual clauses*



Main EC proposals on audit

- *Non-audit services*: audit firms are no longer allowed to provide non-audit services to their audit clients. Large audit firms will have to separate audit from other non-audit activities
- *Introduction of the European Passport*: this European passport will allow audit firms to provide services in the EU
- *Introduction of ISAs for all statutory audits*: Member State will have to ensure their proportional application at national level
- *Independence of competent authorities towards the profession*: national competent authorities responsible for public oversight can only delegate approval and registration of auditors to professional bodies
- *Mutual recognition*: to ensure cross-border mobility, audit firms are recognized in the host Member State if they are registered in the Member State of origin. Auditors approved in another Member State can either pass the aptitudes test or can work for three years with a locally acknowledged auditor (the so-called adaptation period)



New challenges for professional bodies

Public oversight boards from every Member State would delegate attributions to other authorities or professional bodies, only in what regards the approval and registration of statutory auditors and audit firms.

For the time being, CSPAAS does not have the capacity, nor from the financial or staff point of view, to provide the activities currently covered by CAFR – CSPAAS has only 1 full-time employee, all other 4 persons being delegated from other institutions.

From the CAFR perspective, current EC proposals transfer the entire activity performed by professional bodies, in the field of statutory audit, to the public oversight board – this would lead to a decreased role of professional bodies.

New challenges for professional bodies

According to the new proposals, the fields currently managed by CAFR, for which CSPAAS bears the final responsibility (investigations and discipline, CPD, quality assurance) will no longer be able to be delegated, in the future, to the professional body.

If, in the EU Member States, the public oversight board will cover the fields belonging, by tradition, to professional bodies, market confusion will be increased, giving the impression that professional associations did something wrong or are considered guilty for certain errors.



New challenges for professional bodies

It is common for liberal professions (such as doctors, lawyers, etc.), which in our country are gathered within the Union of Liberal Professions (ULPR), to self-regulate.

This was also the case for the accounting and audit profession in Romania, where accountants and auditors are represented by their professional bodies, promoting their interests at national and international level.

At least in Romania, there have been no proves, until now, that the actions of professional bodies had negative effects on the quality of their members' activity.

By its adhesion to international organizations (IFAC, FEE, FIDEF), CAFR is engaged in protecting the **public interest** and working for the benefit of its members.

Conclusions

The Chamber of Financial Auditors of Romania suggests that the current provisions on the public oversight system in the 43/2006/EC Directive should be maintained – this would allow high-level services to be provided by professional bodies, under the supervision of a competent authority.

Changes brought to the audit policy have to be based on sound impact analysis and case studies, since the society's perception on audit can affect stakeholders' trust and the demand of audit services.

Conclusions

There have been no proves yet, that global economic turmoil was caused by financial auditors, or by the bodies managing the audit profession. Therefore, decreasing the role of professional bodies has no basis.

In many EU Member States, public oversight boards have just began their activity and they were build from nothing, they do no have the resources and experience of professional bodies.

We consider premature to amend the 2006/43/EC Directive, while a large number of countries are still in the process of implementing it (the current Statutory Audit Directive is effective beginning with June 2008).

The future architecture of the profession is uncertain, however, the role and accomplishments of professional bodies should not be neglected.

**Thank you
for your attention!**



CAMERA AUDITORILOR FINANCIARI
DIN
ROMANIA

Chişinău
Republic of Moldova
21-23 June 2012