Audit Committee Institute Sponsored by KPMG

The European Voice of Directors

KPMG

ecoDa
a.s.b.l

New Guidance for the Audit committees of European Companies

ecoDa, the European Confederation of Directors' Associations, in conjunction with KPMG's Audit Committee Institute, has published new guidance for the audit committees of European companies. This guidance has been motivated by the belief that audit committees are a key feature of a strong corporate governance culture and bring significant benefits to organisations.

The European Confederation of Directors' Associations (ecoDa) is a not-for-profit association founded in 2004 to influence the European decision-making on Corporate Governance, to develop European CG standards and to provide services to its national Institutes of directors.

Corporate governance is high on the policy agenda throughout Europe. The expectations of stakeholders have never been higher, and the scrutiny by regulators and investors never more stringent. As a consequence, the role of the audit committee is rapidly increasing in importance and scope.

The Statutory Audit Directive (Directive 2006/43/EC), published by the European Commission in 2006, has set audit committees on the path to becoming a key feature of the governance framework of all EU Member States. Practice is still developing, but it is clear that an 'effective' audit committee is well placed to provide oversight on behalf of shareholders and contribute to a 'no surprises' environment - even in today's complex and evolving business world.

The Audit Committee Institute, sponsored by KPMG, was founded in 2002 to help audit committee members adapt to their changing role and provide a resource to which they can turn for information or to share knowledge.

This new ecoDa guidance for audit committees articulates the principles underlying the audit committee's role and aims to help steer organisations through the new requirements set out in the Directive. In so doing, it provides non-prescriptive guidance to help audit committees (and those working with them) gain a better understanding of appropriate processes and behavioural practices.

The carefully designed recommendations presented in the ecoDa guidance can also help audit committees to maximise their benefit to the main board, shareholders and other stakeholders. However, it is important that each board and audit committee should assess their own circumstances when defining a specific audit committee approach. Practices that work best for one organisation may not be ideal for another – especially in a governance environment where culture, risk and governance needs can vary dramatically from company to company.

Nevertheless, the guiding principles set out in the new ecoDa publication should underlie the effectiveness of every audit committee. The appropriate application of these principles can help to ensure that 'company specific' practices are applied effectively – that is, by the right people with the right information, processes and perspectives.

ecoDa believes all audit committees, even those that have been established for some time, can benefit from comparing their approach to the best practices described in this publication in an effort to refine, tailor and improve their own agendas.

The ecoDa guidance was released in February 2011 and is available at the following link:
http://www.ecoda.org/audit_guidance.html

Contact details:
contact@ecoda.org • tim.copnell@kpmg.co.uk