

Agenda Item 8



Meeting Location: Conrad Ballroom, Conrad Hotel, Dublin, Ireland

Meeting Date: February 20-22, 2012

Guest Speaker: Janine van Diggelen, Head of the AFM's Audit Firms Supervision Division

Objective of Agenda Item

To receive a presentation of a summary of the findings in AFM's (Netherlands Authority for the Financial Markets)¹ report "Incentives for Audit Quality".

AFM's Report "Incentives for Audit Quality."

As part of its ongoing supervision of audit firms, the AFM conducted a review, during the first six months of 2011, of the incentives for audit quality. The review covered the 15 audit firm whose license includes the performance of statutory audits for public interest entities. The review of financial and other incentives for audit quality focused on two themes:

- the independence of audit firms and external auditors; and
- the appointment, appraisal, remuneration and sanctioning of external auditors.

The report's (Agenda Paper 8-B) recommendation is that the AFM supports clearer and more restrictive rules for auditor independence. It states:

"Clearer and more restrictive rules can provide clarity to users of financial statements. The need to look critically at auditor independence is high on the political agenda, both in the Netherlands and abroad. The aim of the AFM's report is to make a timely and constructive contribution to the auditor independence discussion. "

Janine van Diggelen, Head of the AFM's Audit Firms Supervision Division has agreed to present a summary of the findings in AFM's report "Incentives for Audit Quality" and will discuss related matters, such as the implications of the findings to the AFM and what actions it might be planning to take as a result.

¹ The Netherlands Authority for the Financial Markets (AFM) has been responsible for supervising the operation of the financial markets since 1 March 2002. AFM supervises the conduct of the financial market sector: savings, investment, insurance and loans. By supervising the conduct of the financial markets, AFM aims to make a contribution to the efficient operation of these markets.

Action Requested

IESBA members will receive a summary of the findings in AFM's report "Incentives for Audit Quality".

Material Presented

Agenda Paper 8	This Agenda Paper
Agenda Paper 8-A	Press Release
Agenda Paper 8-B	AFM Report: Incentives for Audit Quality. An Exploratory Review.