

Organization of public oversight over the audit profession: an example from the Netherlands

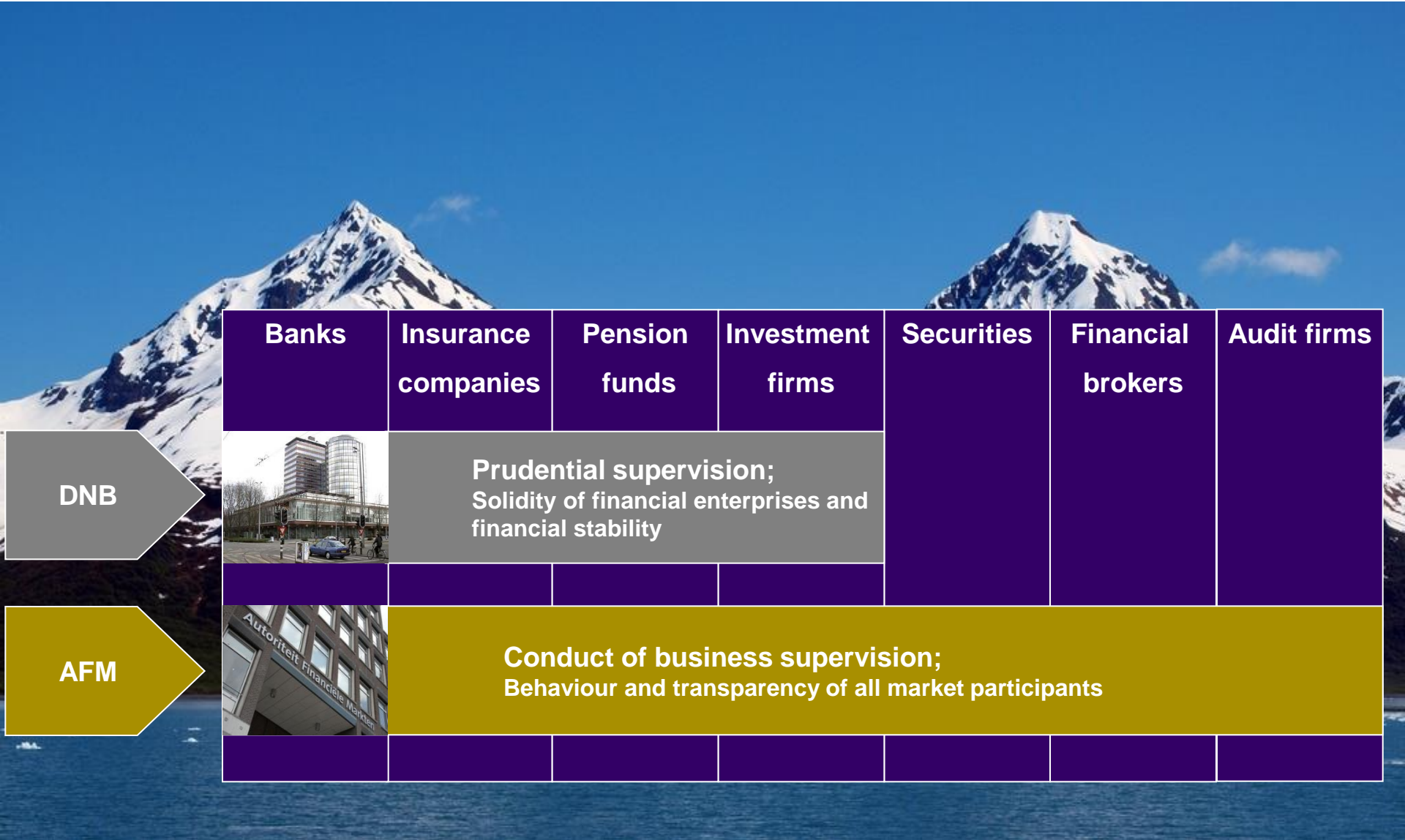
FIRST PROFESSIONAL FORUM OF AUDITORS



“The European future of the market of audit services”

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	Banks	Insurance companies	Pension funds	Investment firms	Securities	Financial brokers	Audit firms
DNB		Prudential supervision; Solidity of financial enterprises and financial stability					
AFM		Conduct of business supervision; Behaviour and transparency of all market participants					

Strategic objectives

- Responsible for supervising the operation of the financial markets since 1 March 2002;
- Supervises the conduct of the entire financial market sector: savings, investment, insurance and loans;
- Falls under the political responsibility of the Ministry of Finance and is a semi-governmental agency.

- Promote the fair and conscientious provision of financial services;
- Promote the fair and efficient operation of the capital markets;
- Contribute to the stability of the financial system.

- The AFM is a semi-governmental agency;
- AFM falls under the political responsibility of the Ministry of Finance;
- Free from political influence and pressure;
- Independent from profession.

Organisation Structure AFM



Supervisory Council

Executive Board

General Counsel

Compliance & Integrity

Penal Fines Officer

Internal Audit

Legal Affairs

Strategy, Policy & International Affairs

Communications

Treating Customers Fairly

Pensions & AIFM

Audit & Reporting Quality

Efficient Capital Markets Supervision

Market Integrity & Enforcement

Supervision Relationship Management

Supervision Service Centre

Risk Analysis & Project Management Office

Facility Management

IT

Human Talent & Organisation Development

Planning, Control & Finance

Supervision

Supervisory Council

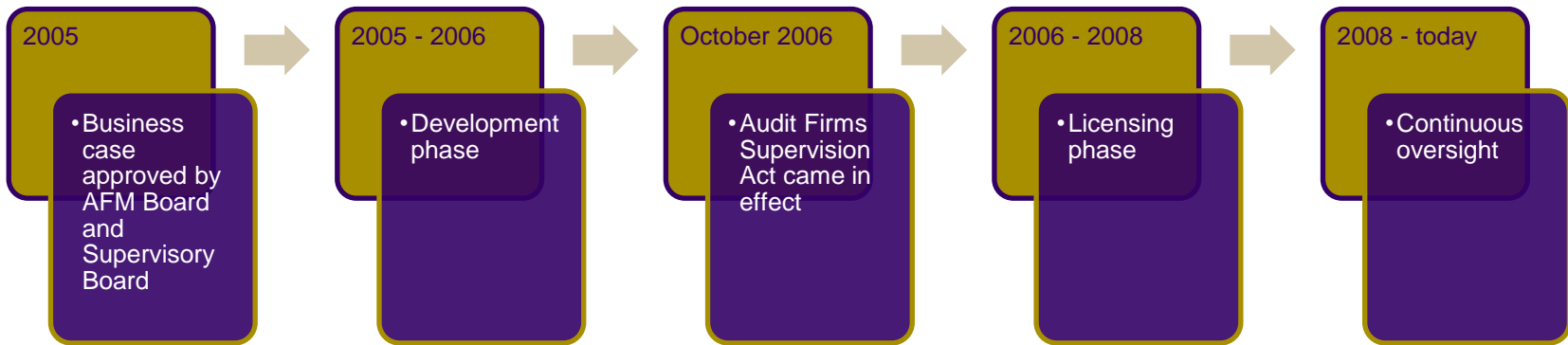
- Mr. Paul Rosenmöller - Chair
- Ms. Diana van Everdingen - Vice Chair
- Ms. Annemarie van Gaal
- Mr. Rob Becker
- Mr. Bart Koolstra

Executive Board

- Ms. Merel van Vroonhoven - Chair
- Mr. Gerben Everts -> responsible for audit oversight
- Ms. Femke de Vries
- Mr. Harman Korte

Funding	Levied to the firms under supervision
Budget	€ 88.4 million
Staff	AFM total: approx. 500 fte Audit Oversight: approx. 30 fte
Size of audit market	<ul style="list-style-type: none">- 10 firms licensed to audit PIEs- 397 firms licensed to audit non-PIEs- 16 firms registered as third country audit entities- 19,047 statutory audits, about 1,100 of these are audits of PIEs (banks, insurance companies and listed companies) <p>Market share Big-4:</p> <ul style="list-style-type: none">- KPMG: 36%- EY: 22%- PWC: 20%- Deloitte: 11%

Implementing Audit oversight – phases



Budget

- The Executive Board approves the departmental annual plan and budget

Decision making

- Basis: decision-making at staff level within predefined mandate
- Complex/ new/ high-impact/visibility cases need higher, including board, approval
- Staff members need to consult internally, for instance with Legal Affairs
- If the Executive Board decides on audit matters, the responsible staff attend Board meetings
- The Executive Board decides on the sanctioning of an audit firm

Regulatory Framework in the Netherlands

- EU -> Directive 2006/43/EC
- National law -> Wta, Bta and Wab
- Professional body (NBA) -> ISA's, Code of Ethics and independence, Education standards
- By-laws and further regulations

Mandate of the AFM

AFM Inspectors have the following powers based on the General Administrative Law Act:

- To request information
- To access the premises
- To view and photocopy documents

❖ **Inspections**

❖ **Investigations**

❖ **Enforcement**

No major changes for the AFM

- Most significant new requirements already in place for years
- No need for new funding plans. Funding is already in place
- No major reform of the ongoing operation of the public oversight system
- Development of new work methodologies and processes: CAIM



- Ministry of Finance has the lead in implementing and transposing the new EU Audit Framework into national law
- Ministry of Finance coordinated a public consultation
- Dutch Parliament will discuss in the upcoming months
- AFM will change organization (policies, processes, procedures) where needed. Phase not yet started since no major changes are foreseen



