

Draft Summary Report

MEETING OF THE AUDIT REGULATORY COMMITTEE

24th January 2008

The following items were discussed:

Agenda item I: approval of the agenda of the meeting and approval of the minutes of the meeting of 17th October 2007

The agenda was adopted. The minutes of the meeting of 17 October were approved after including the received remarks.

Agenda item II: IFIAR presentation

Mr. Boyle, Chairman of IFIAR, gave an overview of the activities of IFIAR.

Mr. Boyle explained that IFIAR does not adopt common policy positions and has no ambition to become an international standard setter. IFIAR is mainly focused on auditors of listed firms.

Agenda item III: Supervision of EU audit firms by the PCAOB

The Commission asked Member States for comments on the PCAOB draft guidance on Rule 4012, published for public consultation on 5th December 2007.

One Member State had three concerns: the impossibility to engage practitioners as experts in inspection teams, the rigorous requirements regarding US legislation and the public reporting on the outcome of inspections.

Another Member State found the PCAOB document not principle based . Instead a high degree of detail has been presented. For instance, the term "affiliated" is unclear.

One Member State doubted that there was sufficient room for manoeuvrability to obtain full reliance quoting the requirements on legislation, independence of governance of an oversight, transparency and access to working documents.

Another Member State defended that when complying with the Eight Company Law Directive, this should be considered sufficient by PCAOB to move towards full reliance. Its points of concern were directed at the difficulty of accepting US inspections, the reference to US legislation, reciprocity on obtaining inspection reports and public reporting on the outcome of inspections.

Member States were asked to send their written comments by 8th February 2008. The Commission intends sending a comment letter and will include MS comments where possible.

IV: Supervision of EU audit firms by Japan

The Commission informed Member States about the new Japanese legislation on audit supervision. Statistics supplied by the Japanese FSA show that ten Member States might be concerned by this new legislation.

One Member State remarked that the statistics supplied by the Japanese FSA also included firms whose shares were traded in Japan but not listed in Japan.

Three Member States expressed clear concerns about Japan's possible intention of sending inspectors to Europe and a complex notification system Japan wishes to put in place. There was a sense that more clarity was needed on the intentions of the Japanese authorities in the light of the draft Decision – but that at the same time, the approach should not be overly bureaucratic.

V. Co-operation with third countries – comitology procedure under Article 46

The Commission presented a first draft Commission decision concerning a transitional period for audit activities of certain third country auditors and audit entities, implementing Article 46 of the Eight Company Law Directive On Statutory Audits (the Directive). Member States were invited for first comments.

Comments by Member States:

Two Member States indicated that in recital 3 the difference between groups 2 and 3 needs to be clarified more.

Three Member States were concerned that Article 1 (1), requiring that Member States shall not apply Article 45 of the Directive would take away a Member State's investigating powers when it would encounter problems with a third country auditor. Three of these Member States were also concerned that an unbalanced position might be created towards the US and Japan.

Two Member States judged the transition period as too long.

One Member State enquired whether it would be entitled to apply Article 45 if all the requirements of information envisaged in Article 1 (1) (a-e) would not be provided by the third country auditor.

Another Member State enquired whether the Commission would take part in the assessment procedure of third countries.

One Member State had concerns whether the information asked under Article 1 (1) (e) would be feasible for all firms to provide as there might be legal constraints in some third countries.

Member States were asked to send their written comments by 8th February 2008. The Commission informs the Member States that in order to guarantee total transparency on the comitology procedure, the different versions of the text will always be published on the website of DG MARKT and the European Parliament will be fully informed during the entire procedure. Translations of the first version of the text will be available end of January.

The Commission asks Member States for comments on the tentative ideas for a possible statement on third countries outlining a future work program by 8th of February 2008.

VI Discussion on Article 47

The Commission enquires with Member States whether there is a need for implementing measures on Article 47 and if so, which issues need to be implemented.

One Member State wants the Commission to push forward on this issue as a transfer of documents will be needed in MS dealings with third country oversight systems.

Another Member State refers to its national legislation that has limitations on the possibility of the transfer of documents.

One Member State advises to await an evaluation of the ability of cooperation by third countries and possible equivalence decisions.

The Commission agrees that further research on confidentiality legislation in third countries is required.

The Commission clarifies that a possible comitology decision on Article 47 would in no way oblige Member States to transpose new legislation. It would only allow for the transfer of documents to third country oversight systems and consequently for co-operative arrangements.

The Commission asks Member States for their comments by the 8th of February 2008.

VII. Transposition of the Eight Company Law Directive

The Commission informed Member States that it was concerned about the progress in some Member States regarding a timely transposition of the Eight Company Law Directive. It therefore announced that it would draft a scoreboard before June 2008 to obtain an overview of the state of transposition in Member States.

The Commission also informed Member States that MEP Doorn would draft an implementation report for the European Parliament on the Eight Company Law Directive.

One Member State had concerns on the time it would require for Member States to complete this scoreboard.

The Commission clarified that this scoreboard would be completed by the Commission, based on information supplied by Member States. This scoreboard would be published.