

## Summary Report

### MEETING OF THE AUDIT REGULATORY COMMITTEE

27 April 2010

Mrs. Nathalie de Basaldua, Head of Unit F4-Auditing, chaired the meeting.

The following items were discussed:

#### **I. Approval of draft agenda and draft minutes of the meeting of 30 October 2009 and of 13 November 2009**

The agenda was adopted. The minutes of the meetings of 30 October and 13 November 2009 were approved.

#### **II. Audit working papers**

Commission services presented the reply by the Australian audit regulator ASIC to the questionnaire discussing a possible transfer of audit working papers in case of inspections, investigations and public oversight.

Commission services discussed with Member States the state of play regarding a possible co-operation with the US on exchange of audit working papers.

The Commission Services concluded that further clarification is required from US side regarding the working arrangements for cooperation.

#### **III. Equivalence assessments of third-country audit regulatory systems**

Commission services discussed with Member States possible next steps regarding the assessment of the third-country audit oversight systems included in the transitional regime.

##### Preliminary comments by Member States:

- Two Member States proposed to make strict assessments based on the conditions mentioned in the 2008 Commission decision granting the transitional regime.
- One Member State considered that "equivalence" does not mean that the third-country systems must be identical to what the Directive requires for Member States and said there should be a principles-based assessment as agreed in the 2008 technical annex to the Commission decision granting the transitional regime.

##### Commission replies and summary:

A further discussion will take place at the next meeting of the Audit Regulatory Committee on 25<sup>th</sup> June 2010. Member States were invited to send any written comments to the Commission services.

#### **IV. Enhanced cooperation between EU public oversight authorities**

The Chair informed that the Commission needed to report on its plans regarding supervision of auditors to the European Parliament and the Council in June. The Commission services discussed with Member States a possible approach to adapt the current structure of the EGAOB into a level 3 Committee.

##### Preliminary comments by Member States:

- Five Member States said that the upgrading of the EGAOB into a level 3 Committee was premature.

##### Commission services' reply and summary

The Chair informed that the establishment of a Level 3 committee would take time. A future Level 3 committee would not be operational before 2012 in any event. The Chair highlighted that strengthening European supervision in financial services is a key priority for the Commission.

The Chair invited the CESR representative to give a presentation at the next Audit Regulatory Committee meeting on how CESR works and what its competences are. CESR accepted.

The Chair thanked for the comments. A more detailed paper with the revised timetable will be discussed at one of the next Audit Regulatory Committee meetings.

#### **V. Transposition of the Directive 2006/43/EC**

Commission services asked Ireland and Spain to give an update on the state of play of their transposition of the Directive 2006/43/EC. The Commission services asked Cyprus to give an update on the state of play of setting up an independent public audit oversight system. The three Member States informed the Commission services of the envisaged timeline for transposition.

#### **VI. Updates on developments in audit policy**

The Commission informed Member States about the intention of Commissioner Barnier to publish a Green Paper in the autumn which was publicly announced that day. The Green Paper will cover issues such as the role of the auditors, the concentration in the audit market and its implications on financial stability, the emergence of small and medium sized practitioners, the audit of SMEs and international standards on auditing. The Green Paper follows on from various external studies and preliminary public consultations undertaken by the Commission services on these issues.

The Commission also informed Member States that the Commission intends to publish before the summer a call for tender for a study on the implementation of the *acquis* in the statutory audit field (Directive on statutory audits, recommendation on limitation of civil liability of audit firms and recommendation on external quality assurance). The study will provide a description of the audit market (for both audit and non-audit activities) and identify the impact of the *acquis* on the internal market for auditing, on the quality of the audits and on the structure of the audit market. The data provided by the study will be used to prepare a report to the European Parliament on the implementation of the Directive and the two Recommendations.

## **VII. Other Business**

Following a question the Commission services reminded that no inspections could be carried out by the PCAOB in the EU or documents transferred from EU oversight bodies to the PCAOB in absence of a Commission decision on Art 47.

The next meeting of the Audit Regulatory Committee will take place on 25 June 2010.

## **PARTICIPANTS' LIST**

**Austria**

**Ministry of Economy, Family, Youth**

**Belgium**

**Ministry of Economics**

**Bulgaria**

**Not present**

**Cyprus**

**Permanent Representation**

**Czech Republic**

**Ministry of Finance**

**Denmark**

**Danish Commerce and Companies Agency**

**Ministry of Economics and Business Affairs**

**Estonia**

**Permanent Representation**

**Finland**

**Ministry of Employment and Economy**

**France**

**Ministère de la Justice**

**Germany**

**Federal Ministry of Economics and Technology**

**Greece**

**Not present**

**Hungary**

**Permanent Representation**

**Ireland**

**Permanent Representation**

**Italy**

**Ministry of Economy**

**Latvia**

**Not present**

**Lithuania**

**Ministry of Finance**

**Luxembourg**

**CSSF**

**Ministry of Finance**

**Malta**

**Ministry of Finance, Economy and Investment**

**Netherlands**

**Ministry of Finance**

**Poland**

**Ministry of Finance**

**Portugal**

**Permanent Representation**

**Romania**

**Not present**

**Slovakia**

**Ministry of Finance**

**Slovenia**

**Not present**

**Spain**

**Accounting and Auditing Institute (Instituto de Contabilidad y Auditoría de Cuentas) (ICAC)**

**Sweden**

**Ministry of Justice**

**United Kingdom**

**Department for Business, Innovation and Skills**

**Norway**

**Ministry of Finance**

**Financial Supervisory Authority**

**CESR**