

## SUMMARY RECORD

### FIRST MEETING OF THE AUDIT REGULATORY COMMITTEE OF 22 NOVEMBER 2005.

M. Delsaux, Acting Director of DG Internal Market and Services, chaired the first meeting of the future Audit Regulatory Committee (AuRC) composed of representatives from Member States.

The following points were discussed:

#### **AGENDA POINT II : FUTURE CO-OPERATION BETWEEN AUDIT REGULATORS AND AuRC**

The Commission provided an update on the planned modifications made to the decision establishing the European Group of Auditors' Oversight Bodies" (EGAOB) following the comments received from Member States. It is in particular envisaged that the Member States appoint the representative of public oversight systems.

The Commission informed participants about the first meeting with the representatives of the national public oversight, which will take place on 12 December 2005, in order to prepare the future work of the EGAOB.

The Commission outlined that the work of the future EGAOB should focus on two priorities: (1) technical analysis on the comitology measures and (2) cooperation amongst public oversight systems at EU and international level. The companies, the investors and the audit profession should also get the opportunity to express their views, where appropriate.

#### *Relationship between the EGAOB and the AuRC*

Member States agreed on the need for a sound process for exchange of views between the EGAOB and the AuRC. The delegations opined that the process for the cooperation between the EGAOB and the AuRC should be more precisely described. Some participants outlined their wish to establish a more precise description of tasks allocated to the EGAOB via perhaps a work program.

On issues related to international cooperation among audit regulators, the EGAOB could be a forum for exchanging best practices. Nevertheless, participants generally took the view that for the developing of technical standards for international cooperation, the last word should be left to the AuRC.

#### *Consultation with the profession*

Only non practitioners should be members of the EGAOB. The profession could be involved through a consultation procedure or by other mechanisms.

The Commission outlined that a comitology committee, such as the future AuRC, should not proceed to any hearings with the profession or other parts of the business community.

### **AGENDA POINT III: DRAFT RULES OF PROCEDURE.**

The Commission presented the draft rules of procedure based on the standard rules of procedure adopted by the Commission and published in the Official Journal of the European Communities in February 2001.

The participants commented on the following articles:

#### *Article 2 "Agenda"*

The general consensus was that the draft rules of procedure for the AuRC should be modified in order to show a clear difference between draft implementing measures and other measures. Some delegations supported following the model of the Accounting Regulatory Committee in which, the draft implementation measures should be submitted in all the languages available, at least 60 calendar days before a meeting, if possible. Some delegations expressed the view that urgency procedure would not be necessary.

#### *Article 6 "Representation and quorum"*

Some delegations wondered why the Chairman's permission on the composition of the national delegations was necessary. One participant outlined that the meaning of the Article 6(3) concerning the quorum required, was not clear.

#### *Article 8 "Admission of third parties"*

The delegations showed their support to grant an observer seat to the EGAOB. The delegations took no definitive position concerning the observer seats for CESR, CEBS and CEIOPS. The Commission outlined that the future EGAOB would be better placed to grant the observer seat to those committees.

#### *Article 9 "Written procedure"*

Some Member States expressed concerns about the tacit agreement procedure under this Article and outlined the necessity of setting up safeguards (an acknowledgement of receipt) for this written procedure.

The Commission invited delegations to send written comments within two weeks.

### **AGENDA POINT IV: RELATIONS WITH THIRD COUNTRIES**

The Commission provided an overview of the objectives pursued through the Articles 45 to 47 of the 8<sup>th</sup> Directive dealing with the relationship with third countries. The Commission also informed Member States about the current process of establishment of the new International Forum for Auditor's Regulators.

#### *Registration of third country auditors auditing firms listed in the EU.*

Some delegations agreed that the US, Japan, Canada and Switzerland were the countries on which we should focus but this point would need to be analysed in more detail in the future, mainly through gathering and updating data. Delegations agreed that further analysis by the future EGAOB is necessary.

*Information about relations with third countries.*

Member States agreed to inform each other on a regular basis on bilateral discussions with a third country, but some delegations pointed out that the information would only concern the beginning and final result of the negotiations. One delegation expressed the view that it was a very sensitive issue.

*Conflicts of law issues related to Article 47.*

The Commission explained that inspections by third country authorities of EU audit firms could conflict with professional secrecy rules.

The delegations outlined that a study concerning this issue has been done in the past.

The Commission asked Member States to compile detailed information on legal conflicts for the next meeting of the AuRC. The Commission will circulate the available information in order to enable Member States to update it and, in the case of the 10 new Member States, to provide new information.

**Agenda Point V: ADOPTION OF ISAS**

*Governance of the standard setter establishing international auditing standards*

Some delegations supported the view that the governance of the standard setter (IAASB) should not be a reason for hindering participation in the consultations for new standards under the Clarity Project. Other delegations supported the view that sound governance is necessary as part of a due process, in the longer run, to ensure appropriate quality of output. It should be a prerequisite for endorsing ISAs at EU level.

*International acceptance of ISAs.*

The question of whether international auditing standards to be adopted by the Commission should be "generally accepted internationally" as a prerequisite before adoption triggered a discussion on how this should be understood. Generally, delegations supported the view that the equivalence model based on home country principle, which worked well within the European Union, can be transposed on the international scene for the purpose of assessing international acceptance of ISAs.

*Task force to examine the technical feasibility of adopting ISAs.*

Member States agreed on the need for taking action by setting up a consultative group in order to provide in particular a proactive input into the consultative process of the IAASB. Five Member States supported the model of a wide sub-group of the future EGAOB. Seven Member States supported the model of a task force, distinct from the EGAOB, with a limited number of participants offering more flexibility and capacity to be proactive.

Member States generally took the view that any question of the applicability of ISAs to the audit of SMEs was more than purely technical and therefore this topic should not be addressed within such a technical task force.

The Commission concluded that it would examine the feasibility of a task force of 11-13 key experts (including one observer from CESR), in the form of a sub-group of the future

EGAOB holding back-to-back meetings with non EGAOB members, such as investors, companies and the audit profession.

**Agenda Point VI: AUDITORS LIABILITY**

At the end of the meeting, the Commission presented the current state of play concerning the question of auditors' liability: establishment of a forum and the expected launch of the study on auditors' liability.

**Next steps**

One delegation asked the Commission to include the issue of translation of the ISAs in the agenda of the next meeting of the AuRC.

## **PARTICIPANTS' LIST**

### **Austria**

**Ministry for Economics and Labour**

**Ministry of Justice**

### **Belgium**

**Ministry of Economics**

### **Cyprus**

**Ministry of Finance**

**PR of Cyprus to the EU**

### **Czech Republic**

**Ministry of Finance, Department of accountancy**

### **Denmark**

**Ministry of Economic and Business Affairs**

**Danish Commerce and Companies Agency**

### **Estonia**

**PR of Estonia to the EU**

### **Finland**

**Ministry of Trade and Industry – Government Secretary (Legal Affairs)**

### **France**

**Ministère de la Justice**

**Ministère de l'Economie, des Finances et de l'Industrie (Trésor)**

### **Germany**

**Federal Ministry of Economics**

**PR of Germany to the EU**

### **Greece**

**Ministry of Economy and Finance**

### **Hungary**

**Ministry of Finance**

### **Ireland**

**Department of Enterprise, Trade and Employment**

**Italy**

**Ministry of Economy and Finance**

**Latvia**

**Ministry of Finance**

**Lithuania**

**Ministry of Finance**

**Luxembourg**

**Ministry of Justice**

**Malta**

**PR of Malta to the EU**

**Netherlands**

**PR of Netherlands to the EU**

**Poland**

**Ministry of Finance**

**Portugal**

**Slovakia**

**Ministry of Finance**

**Slovenia**

**Spain**

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

**Sweden**

**Ministry of Justice**

**United Kingdom**

**Department of Trade and Industry**

## Commission

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