

ECG Working Group

Implementation of the Eighth Directive

EGAOB meeting - 30 June 2009



european contact group

Transposition of Article 45 provisions of the 8th directive to effect registration of TCA firms

- How should 3rd country audit firms with 30 June year end clients in Member States that have not instituted registration approach filing deadlines?
- Registration period should be linked to official publication of registration process
 - That is - apply to financial years of “relevant audit clients” starting on or after the effective date of registration rule (vs. 29 June 2008 as discussed in FAQ’s)
- Member State designation of entities incorporated outside of the EU/EEA as PIE’s is expected to be very limited and any such designation should be monitored by the EGAOB

Identification of relevant audit clients

- Identification of “listed entities” has resulted in challenges to audit firms in verifying Member States requiring registration
 - Listed debt and information on denomination (face value) of debt offerings (<> €50,000) can be difficult to obtain
 - Investment fund clients (closed vs. open ended investment unit funds) and identification of relevant markets
- Cooperation of Member State regulators as to companies meeting criteria would be greatly appreciated (summary of listed clients)

As defined in the EC decision of 29 July 2008 the “transitional period” ends in 1 year (July 2010)

Development of a timetable and process description for evaluating equivalence of 3rd country audit regulation within the remaining transitional period

- Will the existing transitional period be extended for some / all countries?
- Guidance is needed to address processes for audit firms in transitional countries if the transitional period will not be extended?
- Will 3rd country audit firms in transitional countries be required to complete full registration?
- If full registration is anticipated - will the audit firms be expected to register before or after 1 July 2010?

Clarification of documentation under Article 27

Article 27(b) specifies

- The group auditor carries out a review and maintains documentation of his review of the audit work performed by third country auditors for the group audit
- Documentation retained by the group auditor shall enable review by the relevant competent authority to review the work of the group auditor properly

Consideration

- Documentation consistent with the requirements of ISA 600 should be sufficient to evidence the work of the 3rd country auditor(s) and support review by competent authorities

EGAOB involvement with Member State interpretation of Articles is important to avoid differing approaches to implementation

Variation in adoption of registration requirements (variance from EGAOB suggested format) increases time and cost in registration

- For example requirements for declaration of “good repute” for OTCA’s
- Requirements to translate certain registration information to other than English increases the time and cost of compliance
- Requirement to update information on relevant pending applications for registration in other EU/EEA Member States will require “serial update” filings
 - Flexibility in format of disclosure would prevent administrative burden of filing / processing updates (eg, reference to firm websites where information would be updated)

Summary comments

- Meeting requirements of 8th directive remains a key focus of audit firms
- Consistency in approach across Member States is appreciated, respecting country specific legal environments
- Continued focus on assessment of equivalence of 3rd country oversight systems remains critical
- The EGAOB has an important role in facilitating consistency and formulating views on equivalence
- Promoting audit quality is our mutual goal
- Thank you