

EUROPEAN GROUP OF AUDITORS' OVERSIGHT BODIES (EGAOB)

BRUSSELS, 2 OCTOBER 2008

SUMMARY RECORD

**I Adoption of the draft annotated agenda
Adoption of the summary record of the previous meeting**

The agenda and the summary record of the previous meeting were adopted with the support of all EGAOB members.

II Developments in Ernst & Young

The presentation on the recent changes within Ernst & Young was given by Mr Jeremy Jennings, Mr Patrick Gounelle and Mr Geoff Norman.

As to the background information, the EGAOB was informed of the setting-up of the new Europe, Middle East, India and Africa (EMEIA) Area on 1 July 2008 as well as the establishment of Ernst & Young Europe LLP (UK audit firm) which will manage the Ernst & Young member firms in 45 European countries under its control to achieve consistent high-quality client service and to promote more international culture within the network. It was also underlined that the member firms will continue to abide by local laws and regulations and that the client relationships will remain at a country level.

The EMEIA structure reflects the governance principles that are applied on a global basis across the firm. The EMEIA Executive (EE) is the top decision-making body for the 87-country area which is broken down into 13 sub-areas. A smaller Executive body oversees the operations of Ernst & Young Europe LLP. The EMEIA Advisory Council fulfils an advisory role to the EE. Ernst & Young Europe LLP covers 10 sub-areas (i.e., excluding the India, Africa and Middle East sub-areas), where sub-area assurance leaders take responsibility for local implementation of methodology and audit standards. Finally, an audit compliance partner, managing partner and a country independence leader exist at a country level and would be the primary interlocutors for local inspections from public oversight bodies.

The presentation was followed by a discussion between EGAOB members and representatives from Ernst & Young. Ernst & Young underlined that the "tone at the top" will be developed at the EMEIA Executive level and this may require the regulators to change their approach in inspections. The EGAOB was also informed of the policies on professional secrecy issues which will be established at the area level but enforced at a local level by audit compliance partners. All levels of the EMEIA organisational hierarchy should be available to inspectors.

III EGAOB Activity Report – Work Programme 2009

The Commission presented the draft EGAOB Activity Report (2006 – 2008) and the list of priorities and activities for the EGAOB on 2009, on which the EGAOB member were given opportunity to express their views. The participants also agreed to make these documents public when they are finalised.

The Chairman also invited EGAOB members to send written comments by end of October.

IV Possible next steps on ISA

The Commission services presented a working document on how ISAs will address the responsibilities of an audited entity's management after the IAASB adopts a revised version of ISA 210 in December 2008. The reactions to the IAASB plans were generally positive, and some members underlined the need to also closely monitor how the provisions of revised ISA 210 will flow into the auditor's report (ISA 700).

The group was overall favourable to giving the mandate to the EGAOB ISA sub-group to discuss and report back on a number of topics reminded by the Chairman. These topics encompass:

- A review of the content of ISAs (recital 14 of directive 2006/43/EC): the EGAOB has been regularly informed on the development of the Clarity project, and has actively contributed to assisting the Commission services in preparing comment letters to the IAASB. Taking this into account, the Chairman suggested that there should be no report on each and every ISA, but the focus on key concerns in the past and how the IAASB has addressed them. The EGAOB urged the ISA sub-group to start this work, and indicated their interest in discussing the main issues in plenary.
- A possible common EU audit report
- The educational challenges for auditors and the possible ways of endorsing the application material.

On translations, the Chairman informed of the ongoing discussions with the IFAC, as well as of a possible future meeting of the translations experts and those EGAOB members interested. In particular, the Chairman requested EGAOB members interested in participating in the review of translations performed at national to confirm this by e-mail.

V Inventory of activities undertaken by CESR, CEBS

The Chairman briefly presented the activities undertaken or planned to be undertaken by CESR and CEBS, in particular their involvement in:

- the amendment of the Commission decision establishing Level 3 committees under the Lamfalussy process;
- the group oversight, where the Commission might propose to use EU public funds also for the training of the member of Level 3 committees, the budget of EFRAG, IASB, but also in the area of auditing for the PIOB;
- monitoring the developments in International Standards on Auditing (ISA).

Moreover, the Chairman informed the EGAOB that the International Organisation of Securities Commissions (IOSCO) is also very active in relation to auditing matters. It is foreseen that the IOSCO would consult publicly in 2009 on audit reporting as well as on the transparency on the governance of audit firms. It was also noted by the EGAOB, that the IFIAR was invited by the IOSCO to participate into this process.

Some EGAOB members were reluctant to develop now cooperation with CESR and CEBS. It was suggested that before any items are discussed together with the CESR and CEBS representatives, the EGAOB should have their own positions on the matters. Alternatively, it was suggested to allocate our resources to other issues than those discussed in other forums.

VI PCAOB inspections in Europe

The Commission services gave an overview on the discussions during the AuRC meeting on 8 September 2008 and pointed out that PCAOB wants to carry out urgently inspections in several Member States. The urgency is due to the fact that there are a significant number of companies listed in Europe coming under the three-years-term cycle under PCAOB rules/ Sarbanes-Oxley Act. The Commission services informed participants that no decision from the time being has been taken as to Article 47 and consequently Member States shall handle PCAOB inspections under their national law until the end of 2008.

Commission services also reminded participants the need to communicate in advance to the Commission any PCAOB inspection that may take place in EU according to Article 1.4. of the Decision 2008/627/EC.

The Commission services gave also an overview on the comments received from the stakeholders meeting on 15 September 2008 on a discussion paper on next steps towards a possible proposal under Article 47. The main comments were as follows:

- Taking an adequacy decision on third countries is an urgent matter.
- Transfer of audit working papers should not be left to entities.

- An adequacy decision on third countries should firstly focus on the US, Japan and Canada. This process should be extended to other third countries at a later stage.
- Adequacy decisions should not imply a regular flow of audit working papers. The strategy to follow should be to get a "mutual reliance".
- A single definition of "Audit working papers" would be helpful. A reference might be made to ISA 230, which comprises a definition of audit documentation.

Audit regulators updated each other on their discussions and state of play regarding PCAOB inspections that may take place in Europe.

VII AOB

The Chairman invited EGAOB members to participate at the International Auditing Conference with Third Countries organised by the Commission to be held on 10 December. EGAOB was also informed of the FEE conference taking place on 9 December on Audit Regulations. The next EGAOB meeting will be organised in 2009.