

EUROPEAN GROUP OF AUDITORS' OVERSIGHT BODIES (EGAOB)

BRUSSELS, 30 JUNE 2008

SUMMARY RECORD

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

The EGAOB agreed upon the rearranged agenda. The summary record of the previous meeting was approved.

Transfer of audit working papers

The Commission services and the EGAOB debated a number of issues regarding the co-operation with third country competent authorities on the transfer of audit working papers under Article 47 of the Directive 2006/43/EC.

The Commission informed that a possible decision should only deal with data related to companies, but that both professional data and personal data should be dealt with in bilateral agreements between MS audit regulators third country audit regulators. The opinion of the "Article 29 Working Party" of Nov 2007 offers sufficient guidance regarding data protection.

Audit regulators supported the Commission services' proposal to include a "revocation clause" in case a third country competent authority would use the transferred documents for other purposes than the intended use.

The participants were invited to comment these issues and to provide written comments on by the end of July 2008.

Regarding the questionnaire sent to major jurisdictions (US, Japan, Canada) regarding implementation of Article 47 of the Directive, Commission services informed audit regulators about the reply by SEC to its questionnaire and informed audit regulators that the reply from the PCAOB had not yet been received.

Implementation of third country provisions

(a) Cooperation opportunities amongst the public oversight bodies in the EU

Co-operation sub-group representatives presented a draft Memorandum regarding Member States co-operation on the registration of third-country audit entities under Article 45 of the Statutory Audit Directive and under the Commission Decision concerning a transitional period for audit activities of certain third-country auditors and audit entities. This Memorandum was accompanied by a draft common application form for registration of third-country audit entities under Article 45 and its possible frequently asked questions, and a draft common application form for registration of third-country audit entities under the Commission Decision on transitional measures for the purpose of Article 46(2) and its possible frequently asked questions.

EGAOB members supported the proposal. However, they pointed out that further discussions should take place with regard to some matters. EGAOB members were invited to send their comments in order to have a conclusive debate in the Co-operation sub-group meeting scheduled on 9 July 2008. Audit firms' representatives will also be invited to this meeting to exchange viewpoints in this matter.

(b) The cooperation with the US PCAOB

Commission services informed the meeting on the public roundtable organised by the PCAOB on 25 June 2008 on its draft policy on Rule 4012 which sets out the conditions for full reliance by the PCAOB on the inspections carried out by a foreign audit regulator.

This meeting can be accessed via webcast on the website of PCAOB. The most important issue for US investors was the independence of auditor oversight systems.

ISA Translations

The Commission services updated the participants on its meeting with IFAC which has launched a public consultation in March 2008 on its overall policy on translations. IFAC might provide a waiver of copyright to the European Commission. An open point remains whether professional bodies could commercialise translated handbooks of ISA before a possible introduction in the EU. This would also depend on the EU timeframe in case of a possible adoption.

Ongoing studies on ISAs

(a) Study regarding costs and benefits for a possible introduction of "clarified" ISAs at the EU level

The Duisburg University gave an overview of the conceptual framework of their cost benefit analysis of a possible adoption by the Commission of ISA. During this study, the contractor intends to obtain a representative sample of audit firms and EU Member States.

By focussing on what happens in practice, the contractor intends taking into account the existing global methodologies of Big 4 audit firms. The contractor also intends consulting audit clients in its analysis of the structure of audit fees and the influence of a possible EU adoption of ISA.

The Commission services asked the contractor also to look at the interaction of major audit firms auditing smaller companies under ISA and to assess the influence of the audit methodology for audit firms.

The Commission services asked those audit regulators included in the contractor's sample to critically examine the IFAC self assessment of their professional organisations. They also asked those audit regulators to send a letter to the audit firms that they support this study.

(b) Study regarding differences between ISAs and PCAOB standards

Maastricht University presented the objectives of the study, the work that has been done to address those objectives and the activities planned for the next six months.

The contractors also presented the building blocks of the framework, which will be used in achieving those objectives.

The contractors answered to the questions raised by the EGAOB. The Commission services also made some remarks on the context of the study, in particular the reference to a decision on the equivalence of international auditing standards that the Commission might have to take under Article 45(5)(d) of the Directive on Statutory Audit. The Commission also informed participants that the study will provide a useful list of differences between the two sets of standards, but does not aim at developing an inspection manual for regulators.

Transposition of the Directive on Statutory Audit

The Commission services informed EGAOB of the draft Transposition Scoreboard and on the preliminary results contained in this draft. The draft Transposition Scoreboard would be presented for Member States and discussed with them at the meeting of the Audit Regulatory Committee on 8 July. Some EGAOB members provided comments on the draft Transposition Scoreboard.

The Commission services also alerted EGAOB of practical issues regarding cooperation between Member States if a Member State have not yet fully transposed the Directive, e.g. have not established a public oversight system. Representatives of the ministries from Member States, where no public oversight exists, declared that Ministry would act as a competent authority for cooperation with other audit regulators during the transitory period.

Future functioning of the EGAOB

The Chairman made an overview of the comments received from a number of the EGAOB members regarding the future functioning of the EGAOB. The delegations supported establishment of the EGAOB subgroup, which would discuss this. The delegations also supported the view that the EGAOB should continue working in its current setting. Some participants suggested that the EGAOB subgroup should also develop a list of issues where cooperation between oversight bodies should be deepened within the framework of the EGAOB. Some delegates also proposed further priorities that could be taken into account by the EGAOB subgroup.

The Chairman concluded that the Commission services would invite EGAOB members to participate in the subgroup, where the future EGAOB work program, reflecting regulatory issues, will be discussed. The first meeting of the EGAOB subgroup is planned for 12 September.

Regarding the functioning of the early warning system for the public oversight authorities, the Commission services invited EGAOB members to provide by 18 July an update on the Emergency Contact List created for the purpose of sharing information between public oversight bodies in crisis situations.

AOB

The Chairman informed participants of the workshop organised by the Commission services on 10 July regarding inspections of the audits of financial institutions and related fair value issues.

The next EGAOB meeting is foreseen for 2 October.