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Stakeholders debated the future EU Audit policy on 10 February



On 10 February 2011, the European Commission hosted a high-level conference in Brussels to give stakeholders an opportunity to explore and discuss the policy options for the future of the EU audit market. Conference organisers encouraged participation from a broad spectrum of stakeholders including industry, investors, lenders, regulators, accountants, auditors, policy makers and SMEs. The Conference was hugely over-subscribed. More than 500 participants attended the Conference.

- Read the article on the Conference in the [Single Market News](#)
- Watch the video: [Interviews with speakers at the Conference](#)
- Speeches, presentations and the conference video are available [here](#)

Member States share regulatory practices in the follow-up to the Green Paper



After the success of the Conference on the future of the EU audit policy on 10 February, Member States discussed pertinent audit market issues and their potential solutions at the Audit Regulatory Committee (AuRC) meeting on 3 March, 2011.

Presentations given at the Audit Regulatory Meeting on 3 March, 2011:

- [Long-Form Audit Report in Germany](#)
- [Joint audit in France](#)

Governance of IFAC: Renewal of the PIOB and the Chairmanship of the Monitoring Group



As part of the March 2011 renewal of the **Public Interest Oversight Board (PIOB)**, Stavros Thomadakis, Chairman since its inception, has been replaced by Eddy Wymeersch, currently professor emeritus at University of Ghent Law School in charge of Company Law, Commercial Law, and Capital Market Law. Mr Wymeersch has been Chairman of the Committee of European Securities Regulators (CESR), and of the European Regional Committee of IOSCO. He has also been chief executive and then Chairman of the supervisory board of the Belgian financial supervisor (CBFA - Commission Bancaire, Financiere et des Assurances).

The PIOB is an independent oversight body responsible for approving appointments and conducting ongoing oversight of the International Federation of Accountants



(IFAC) public interest activities, including standard setting. The PIOB mandate requires it to increase public confidence that IFAC's activities respond to the public interest.

The current Chairman of **the Monitoring Group (MG)**, Hans Hoogervorst, will become Chairman of the IASB (International Accounting Standard Board) on 1st July 2011. The Monitoring Group has decided to replace him at the helm of the organisation by Fernando Restoy, Vice-Chairman of the Spanish securities regulator (CNMV - Comisión Nacional del Mercado de Valores).

MG is the regulatory and international organization responsible for monitoring the implementation of the IFAC reforms. MG nominates PIOB members and engages in dialogue with the international accountancy profession. The Members of the MG are the Basel Committee on Banking Supervision, the European Commission, the International Association of Insurance Supervisors, the International Organization of Securities Commissions, the World Bank and the Financial Stability Board; the International Forum of Independent Audit Regulators (IFIAR) is an observer and is in the process of becoming a member.

PIOB funding: The Grant Agreement for 2011 is under preparation



The European Parliament and the Council agreed on 16th September 2009 to establish a Framework Community programme, providing direct funding from the Community budget to, inter alia, the Public Interest Oversight Board (PIOB).

As a result the PIOB is expected to receive up to EUR 1.2 million over the period 2010-13 (i.e. EUR 300.000 per year) in the form of annual "operational grants". The first Grant Agreement signed in June 2010 between the EU and the PIOB for the 2010 exercise has been implemented as scheduled.

The second Grant Agreement, concerning the 2011 exercise, is under preparation and is expected to be signed by both parties in the coming weeks.

Commission adopts first 'Equivalence' Decision reinforcing international cooperation on auditor supervision



audits.

The European Commission fosters a model of cooperation and mutual reliance amongst audit regulators not only inside but also outside Europe. International cooperation on auditor oversight avoids duplication of supervisory work, unnecessary burdens on audit firms, and above all, promotes a high degree of investor protection by ensuring high quality



In this respect, on 19 January 2011, Commission Decision 2011/30/EU¹ declared the audit oversight regimes of 10 non-EU countries equivalent to those of the EU, namely Australia, Canada, China, Croatia, Japan, Singapore, South Africa, South Korea, Switzerland and the USA. As a result, EU national audit oversight bodies may, under a principle of reciprocity, rely on the inspections of third country auditors carried out by the oversight systems that have been declared equivalent. The extent to which a Member State will rely on and cooperate with one of these third countries will be determined by the cooperative arrangements that are concluded between the relevant Member State and the relevant third country.

In addition, auditors from 20 other non-EU jurisdictions² have been granted a transitional regime until 31 July 2012. During this period, auditors of those 20 jurisdictions are allowed to perform audit activities in the EU without EU oversight and without registering with EU competent authorities. However, this transitional period will only be granted to third-country audit firms if they comply with minimum information requirements necessary for maintaining adequate investor protection levels in Europe.

First agreement reached with non-EU countries on the exchange of audit working papers



In September 2010, the European Commission adopted Decision 2010/485/EU³ recognising the adequacy of the audit supervisory authorities of Australia and the United States of America to exchange audit working papers with the EU audit supervisory authorities. Consequently, Member States may conclude bilateral working arrangements with their Australian and US counterparts on the exchange of audit working papers. The United Kingdom is the first Member State which reached an arrangement with the US PCAOB. Arrangements between the PCAOB and other EU oversight bodies are expected to follow soon.

This Decision follows Commission Decision 2010/64/EC adopted on 5 February 2010 which recognised the adequacy of the audit supervisory authorities of Canada, Japan and Switzerland. Negotiations are ongoing between some EU Member States and Japan, Canada and Switzerland to conclude bilateral working arrangements for the exchange of audit working papers.

- [Statement of Protocol](#) between the US PCAOB and the UK Professional Oversight Board on Cooperation and the Exchange of Information related to the oversight of auditors

¹ Commission Website: http://ec.europa.eu/internal_market/auditing/relations/index_en.htm

² The countries in the transitional period are: Abu Dhabi, Bermuda, Brazil, the Cayman Islands, The Dubai International Financial Centre, Egypt, Guernsey, Hong Kong, India, Indonesia, the Isle of Man, Israel, Jersey, Malaysia, Mauritius, New Zealand, Russia, Taiwan, Thailand and Turkey.

³ Commission website: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:240:0006:0009:EN:PDF>



IFIAR: New Chairman and Vice-Chairman appointed



At the 9th meeting of the International Forum of Independent Audit Regulators ("IFIAR") on 11th -13th April 2011, Paul George, Director of Auditing and the Professional Oversight Board at the UK Financial Reporting Council was appointed as the new Chairman of IFIAR. Dan Goelzer, Board Member of the US Public Company Accounting Oversight Board since 2002, has become the new Vice-Chairman.

At the meeting IFIAR Members discussed and agreed upon a set of "Core Principles for independent Audit Regulators". The Core Principles are intended to promote the common goal shared by IFIAR Members to serve the public interest and enhance investor protection by improving audit quality globally, including through independent inspections of auditors and/or audit firms. The Core Principles cover the following areas: (i) the structure of audit oversight, (ii) the operations of audit regulators and (iii) principles for inspection processes. The Core Principles are not binding on IFIAR Members; however, Members are encouraged to comply with the Core Principles in their own jurisdictions, subject to local requirements or legislation.

- For further information about IFIAR and the Core Principles for independent Audit Regulators: <https://www.ifiar.org/aboutus/index.cfm>

Commission formally requests Cyprus to implement the Statutory Audit Directive



On 6 April 2011, the Commission services have sent a reasoned opinion to Cyprus because of its failure to set up a public oversight system for statutory auditors and audit firms under national law in accordance with the Statutory Audit Directive 2006/43. The reasoned opinion represents the second step in the infringement procedure.

The Statutory Audit Directive requires Member States to organise an effective system of public oversight on audit firms and statutory audits. The oversight bodies will be responsible for the oversight of the approval and registration of statutory auditors, the adoption of standards on professional ethics and for ensuring continuing education and quality assurance. Moreover, they have the right to conduct investigations where necessary and to take appropriate actions accordingly, such as penalties and sanctions.

Cyprus is the only EU country where a public oversight system still needs to be established. The Cypriot authorities have two months to remedy the situation. Otherwise, the Commission services will bring the matter before the European Court of Justice.

For more information, please read the [Press Release](#).



Contractor has been selected to examine the impact of EU audit rules and the structure of the audit market



The Commission services have awarded the Study on the effects of the implementation of the EU legal framework on statutory audits and the European audit market to ESCP Europe. The final study is expected by the end of September 2011.

ESCP Europe is a management school with campuses in Paris, Berlin, London, Madrid and Turin.

UK Parliament: "Complacency' of auditors contributed to financial crisis"



A report by the House of Lords Economic Affairs Committee published on Wednesday 30 March has called for a competition probe into the Big Four auditors' oligopoly. "Their 'complacency' and 'dereliction of duty' contributed to financial crisis", the report found.

- The report: [Auditors: Market concentration and their role](#)

US Senate Committee: Hearings on the role of the accounting profession



The US Senate Committee on Banking, Housing and Urban Affairs, Subcommittee on Securities, Insurance and Investment, held a hearing on the Role of the Accounting Profession in Preventing Another Financial Crisis on 6 April 2011. The Public Company Accounting Oversight Board (PCAOB) is also focussing on ensuring:

- faithful reporting to audit committees by auditors
- high quality controls inside audit firms
- "audit fee pressure" by companies does not result in fewer hours spent on an audit by the audit firm

See also:

- [Hearings on the Role of the Accounting Profession on 6 April 2011](#)
- [PCAOB Advisory Group Meeting on 16 March 2011](#)