

FEE CONFERENCE ON AUDIT REGULATION

AUDITORIUM OF THE NATIONAL BANK OF BELGIUM, BRUSSELS

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MINUTES OF PANEL DISCUSSION ON EUROPEAN UNION AND THIRD COUNTRY COOPERATION ON AUDIT OVERSIGHT AND REGULATION

Panel Chairman Paul Boyle opened the Panel by introducing the speakers and presented IFIAR (International Forum of Independent Audit Regulators), a body created in September 2006 which promotes cooperation between audit regulators.

Mr. Junichi Maruyama, Deputy Commissioner for International Affairs of the Financial Services Agency in Japan (JFSA), presented the oversight of foreign audit firms under the revised Japanese CPA law that will be effective as of April 2008 as well as the implications of these new developments for listed companies, the stock exchange and audit firms, both domestic and of foreign origin. The objective is to strengthen the oversight of audit firms: their quality control, their governance, the independence of auditors and to introduce financial penalties. The CPA law will also strengthen the authority of the CPAAOB which is established within the Japanese Financial Services Agency. Further details are available in a slide presentation on the FEE website http://www.fee.be/news/default.asp?library_ref=2&category_ref=214&content_ref=677.

Mr. Thomas Rufer, Vice-President, Swiss Oversight Body, explained the structure of the Swiss Oversight system, which has recently been established, as well as the envisaged cooperation with foreign authorities. The objective of the establishment was to obtain recognition of the Swiss oversight system in bilateral negotiations with the EU, the US and other jurisdictions. The new law became partly effective in September 2007 and another part will become effective in January 2008. The Swiss Oversight Body is an independent body. Audit firms will be subject to inspections every three years but the larger firms will be subject to an inspection every year. Foreign audit firms that wish to register in Switzerland will be expected to operate under a foreign oversight authority judged equivalent by the Swiss oversight authority. Strong interest was also mentioned for the discussion between the US and EU on the cooperation for oversight and for one set of rules for all third countries.

Ms. Rhonda Schnare, Director, Office of International Affairs, Public Company Accounting Oversight Board (PCAOB), USA, focused her presentation on the practical experience and history of PCAOB cooperation plans. A number of successful joint inspections have already been performed. The PCAOB's objective is to perform inspections jointly with the home country regulators and twelve joint inspections are currently planned for 2008. By 2009, the PCAOB expects to cooperate with fifteen countries. Beyond joint-inspections, an important criteria for recognition of the system of a foreign oversight body are the independence of the inspection staff being non-practitioners.

Pierre Delsaux, Director, DG Internal Market and Services at the European Commission, highlighted the importance of maintaining Europe's competitiveness and the attractiveness of its financial markets while ensuring investor protection. Third country cooperation on audit oversight and regulation is key, not only with the US but also with other third countries and within Europe since there are companies of sixty three different countries listed in Europe. In order for cooperation to work, it is relevant to be able to rely on each other and to find elements of commonality. The importance of the enforcement process should also not be ignored. However, one has to be realistic as good cooperation takes time to be in place.

Mr. Myles Thompson, Technical Audit Partner, KPMG LLP, UK, shared the experience of the UK KPMG audit firm on the joint UK-US regulatory interventions. In practice, the UK Audit Inspection Unit (AIU) led the inspection, reviewed the audit firm policies and procedures and performed in-depth reviews of audit files of major clients. The PCAOB reviewed audit files of key importance to them. The joint process worked well. KPMG fully supports audit regulation but would rather have inspections by one local regulator. Cooperation and dialogue between regulators are key to make this possible. The full reliance model as outlined by the PCAOB is the desired approach.

During the panel discussion and in responding to the questions from the audience, the need for cross-border cooperation was confirmed. It was clarified that the use of experienced and knowledgeable inspectors is key. The PCAOB also explained that the involvement of practitioners in inspections would prevent full reliance on the oversight system of a third country but joint inspections would not be excluded. As far as the cost of inspections for SMEs is concerned, the European Commission stated that costs linked to the accounting and auditing regulation are closely monitored in its Simplification Project.

The subject of public reporting was also covered. It was agreed that it would be preferable if the public reports on firms could be issued in a shorter timescale and Rhonda Schnare confirmed that this was the PCAOB objective. She noted however that the audit firms do have early indication of the matters which need to be addressed.

Chairman Paul Boyle concluded the panel discussion and thanked the panellists and audience.