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Statutory Audit: Commission decision cuts red tape for audit firms from third countries

The European Commission adopted today a decision granting a transitional period for the registration requirements for audit firms from 30 non-EU countries[1]. The decision clarifies how the competent authorities in Member States should deal with third country audit firms under the Statutory Audit Directive[2]. In the context of its work on monitoring the implementation of the Statutory Audit Directive, the Commission published a scoreboard on where the 27 Member States stand with their implementation of the Statutory Audit Directive, which had to be transposed into national law on June 29, 2008.

Internal Market and Services Commissioner Charlie McCreevy said: "*The implementation and enforcement Statutory Audit Directive is particularly important at a time when financial markets face a difficult period and need to rely on robust audits of financial statements. I feel encouraged that the public oversight bodies in Europe are working together so that third country audit firms have a clear idea what it is expected from them when they audit companies listed on European capital markets. "*".

The Commission has adopted a Decision concerning a transitional period for audit activities of certain non-EU auditors and audit entities. The decision ensures the proper implementation of Article 46 of the Statutory Audit Directive, which allows Member States to modify or not to apply the registration requirements for third country auditors set out in Article 45 of the Directive only if such auditors fulfil certain conditions.

The Decision allows 30 third country audit firms to continue their audit activities regarding third country companies listed on European markets by granting the audit firms concerned a transitional period in respect to registration requirements until 1 July 2010. However, transition will only be granted if third country audit firms comply with the minimum information requirements necessary for investors in Europe. Audit firms from third countries that do not fall under the transitional regime will be subject to full registration and oversight by the competent EU Member State. On the practical application of the regime for all third countries, the audit regulators in the European Group of Auditors' Oversight Bodies worked out arrangements for a common approach on common application forms for the registration of third country auditors and audit firms.

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1 The countries concerned are Argentina, Australia, the Bahamas, the Bermudas, Brazil, Canada, the Cayman Islands, Chile, China, Croatia, Guernsey, Jersey, the Isle of Man, Hong Kong, India, Indonesia, Israel, Japan, Kazakhstan, Malaysia, Mauritius, Mexico, Morocco, New Zealand, Pakistan, Russia, Singapore, South Africa, South Korea, Switzerland, Taiwan, Thailand, Turkey, Ukraine, the United Arab Emirates and the United States of America.

2 Directive 2006/43/EC. For the complete text please visit: http://europa.eu.int/eur-lex/lex/JOHtml.do?uri=OJ:L:2006:157:SOM:EN:HTML

In another document, the Commission offers a first overview on the extent of implementation of the Statutory Audit Directive in all 27 Member States. The Commission drew up a scoreboard based on the information provided by Member States. The scoreboard shows that twelve Member States completed the entire implementation of the Directive to date. Most of the other Member States have transposed major parts of the Directive but are still missing some important provisions. This scoreboard will be regularly updated in order to inform the European Parliament and the markets on where Member States stand on the implementation.

The Commission decision and the common application forms can be found at:

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

More information on the Statutory Audit Directive Scoreboard is available at

http://ec.europa.eu/internal_market/auditing/directives/index_en.htm