

COMMISSION DECISION

of 14 December 2005

setting up a group of experts to advise the Commission and to facilitate cooperation between public oversight systems for statutory auditors and audit firms

(2005/909/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

HAS DECIDED AS FOLLOWS:

Having regard to the Treaty establishing the European Community,

Article 1

The expert group called the 'European Group of Auditors' Oversight Bodies' hereinafter referred to as 'the group' is hereby set up by the Commission.

Whereas:

(1) Reinforcement of the statutory audit is essential in order to restore investors' confidence in the financial markets. The modernised Eighth Directive on statutory audit of annual accounts and consolidated accounts and amending Council Directives 78/660/EEC and 83/349/EEC⁽¹⁾ (hereinafter referred to as modernised Eighth Directive) introduces, *inter alia*, a requirement for Member States to set up a system of public oversight for statutory auditors and audit firms. The modernised Eighth Directive aims also to establish co-ordination of public oversight systems at the community level and includes a possibility for the Commission to adopt implementing measures.

*Article 2***Task**

The Commission may consult the group on any question relating to the preparation of the implementing measures of the modernised Eighth Directive. The group may also discuss any matter relating to cooperation between public oversight systems for statutory auditors and audit firms.

The group's tasks are mainly to:

(2) In order to reach the goals outlined in the modernised Eighth Directive, the Commission needs to call upon an expert group which would contribute to the co-ordination and the development of public oversight systems within the European Union. The group could also contribute to the technical preparation of the implementing measures of the modernised Eighth Directive.

— facilitate cooperation between public oversight systems of Member States and to bring about an exchange of good practice concerning the establishment and ongoing cooperation of such systems;

(3) The expert group should be composed of high level representatives drawn from the public oversight systems for statutory auditors and audit firms in Member States. If such systems are not yet established, representatives from the national ministries responsible for their establishment in the future should join the group. Only non-practitioners, as defined under Article 2(11)(b) of the modernised Eighth Directive, can be designated as representatives or alternate representatives because of the potential conflicts of interest between the profession and the private sector on one side, and the public interest on the other side. Nevertheless, the work of the Commission and of the group should draw upon the knowledge and experience of practitioners. As a result, the Commission should, after discussion with the expert group, consult extensively and at an early stage with market participants, consumers, the audit profession and end-users in an open and transparent manner, on the work of the group.

— contribute to the technical assessment of public oversight systems of third countries and to the international cooperation between Member States and third countries in this area;

— contribute to the technical examination of international auditing standards, including the processes for their elaboration, with a view to their adoption at the community level.

*Article 3***Composition — Appointment**

(4) The expert group called the 'European Group of Auditors' Oversight Bodies' therefore should be set up and its terms of reference and structures detailed,

1. The group shall be composed of high level representatives from the entities responsible for the public oversight of statutory auditors and audit firms in Member States or in their absence, of representatives from the competent national ministries.

2. Each Member State shall designate a high level representative from one of the authorities mentioned in paragraph 1 to participate in the meetings of the group. The Commission can refuse the representative designated by a Member State when it does not consider the representative appropriate, particularly if there is any conflict of interest. In such a case, the Commission will quickly inform the Member State concerned which can then designate another representative.

⁽¹⁾ Not yet published in the Official Journal.

3. Only non-practitioners can be designated as representatives.

4. Each Member State shall designate one representative. One alternate representative per Member State may be designated under the conditions set up in paragraphs 1, 2, 3 and 5.

5. The following provisions shall apply:

— in a case where a Member State is represented by a ministry, when a public oversight system for auditors and audit firms is established, the Member State shall replace its representative by a representative drawn from the public oversight system;

— representatives who are no longer able to contribute effectively to the group's deliberations, who resign or who do not respect the conditions set out in the first or third point of this Article or Article 287 of the Treaty establishing the European Community, shall be replaced;

— members of sub-groups mentioned in Article 4 below and being practitioners, shall sign at the beginning of their mandate and, each time it is required by the chairman, an undertaking to act in the public interest and a declaration indicating the absence or existence of any interest which may undermine their objectivity.

Article 4

Operation

1. The group is chaired by the Commission.

2. As general rule, after discussion with the group, the Commission should consult extensively and at an early stage with market participants, consumers, the audit profession and end-users in an open and transparent manner, on the work of the group.

3. In agreement with the Commission, sub-groups may be set up to examine specific questions under terms of reference established by the group; they shall be disbanded as soon as these have been fulfilled. The sub-groups can also include practitioners.

4. The chairman may ask experts or observers with specific competence on a subject on the agenda to participate in the group's or sub-group's deliberations if this is useful and/or necessary.

5. The group's discussions shall not be public.

6. The group and its sub-groups normally meet on Commission premises in accordance with the procedures and schedule established by it. The Commission provides secretarial services. Other Commission officials with an interest in the proceedings may attend these meetings.

7. The group shall adopt its rules of procedure on the basis of the standard rules of procedure adopted by the Commission.

8. The Commission may publish, in the original language of the document concerned, any résumé, conclusion, or partial conclusion or working document of the group.

Article 5

Meeting expenses

The Commission shall reimburse travel and, where appropriate, subsistence expenses for representatives, members of the sub-groups, experts and observers in connection with the group's activities in accordance with the provisions in force at the Commission. The representatives shall not be paid for their duties.

Meeting expenses are reimbursed within the limits of the appropriations allocated to the department concerned under the annual procedure for allocating resources.

Article 6

Entry into force

The decision shall take effect on the day of its publication in the *Official Journal of the European Union*.

Done at Brussels, 14 December 2005.

For the Commission

Charlie McCREEVY

Member of the Commission