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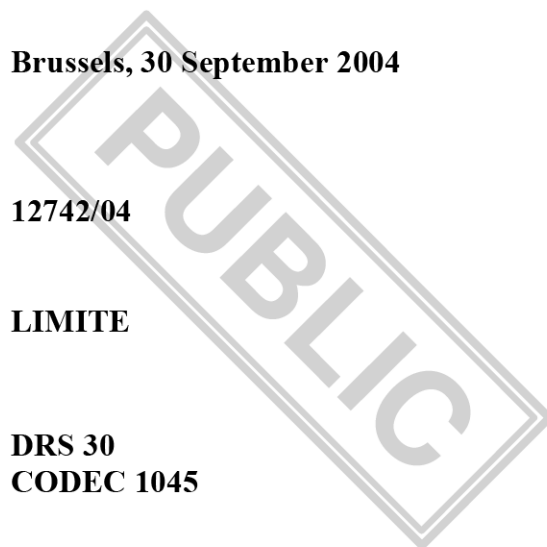
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NOTE

from: Presidency
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Subject : Proposal for a Directive of the European Parliament and of the Council on
statutory audit of annual accounts and consolidated accounts and amending
Council Directives 78/660/EEC and 83/349/EEC
- Consolidated/annotated text

Delegations will find attached a consolidated/annotated version of the above-mentioned proposal following discussions in the Working Party.

**Proposal for a Directive of the European Parliament and of the Council
on statutory audit of annual accounts and consolidated accounts and amending
Council Directives 78/660/EEC and 83/349/EEC**

Chapter I

Subject matter and Definitions

Article 1

Subject matter

This Directive establishes rules concerning the statutory audit of annual and consolidated accounts in so far as such audits are required by Community law.

Article 2

Definitions

For the purpose of this Directive, the following definitions shall apply:

- (1) "Statutory audit" means an audit of annual accounts or consolidated accounts in so far as required by Community law;
- (2) "Statutory auditor" means a natural person who is approved in accordance with the provisions of this Directive by the competent authorities of a Member State to carry out statutory audits;
- (3) "Audit firm" means an entity that is approved in accordance with the provisions of this Directive by the competent authorities of a Member State to carry out statutory audits regardless of its legal form;
- (4) "Third country audit entity" means an entity from a third country which carries out audits regardless of its legal form.
- (5) "Third country auditor" means a natural person from a third country who carries out audits.
- (6) "Group auditor" means the statutory auditor(s) or audit firm(s) that carries(carry) out the statutory audit of the consolidated accounts;

- (7) "Network" means the larger structure to which a statutory auditor or an audit firm belongs and which shares enduring common economic interest, common ownership, control or management, common quality control policies and procedures, the use of a common brand-name, or the sharing of professional resources;¹
- (8) "Affiliate of an audit firm" means any undertaking, regardless of its legal form, which is connected to the audit firm by means of common ownership, control or management;
- (9) "Audit report" means the report referred to in Article 51a of Directive 78/660/EEC and Article 37 of Directive 83/349/EEC issued by the statutory auditor or audit firm.
- (10) "Competent authorities" means the authorities or bodies designated by law that are in charge of the regulation and/or oversight of statutory auditors and audit firms or for specific aspects thereof; the reference to "competent authority" in a specific article means the reference to the authority or body responsible for the functions referred to in the article;
- (11) "International auditing standards" means International Standards on Auditing (ISA) and related Statements² and Standards, in so far as relevant to the statutory audit;³
- (12) "International accounting standards" means International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB);

¹ DE, UK, FI, AT, DK support DE proposal to delete 'enduring common economic interest' and sum up the other items as cumulative requirements.

² UK, DK, DE, BE, FI, AT, MT remarked that in Article 2 (11) only "related standards" and not "related statements" should be mentioned. DE and FI could alternatively accept the German proposal: "International auditing standards" means International Standards on Auditing (ISA) [...], in so far as relevant to the statutory audit, subsequent amendments to those standards and future standards, issued or adopted by the International Auditing and Assurance Board (IAASB);".

³ HU would prefer the previous version of Article 2 (11) (meeting document of 18 June).

- (13) "Public interest entities" means entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of Article 4(1) of Directive 2004/39/EC⁴, credit institutions within the meaning of Article 1(1) of European Parliament and Council Directive 2000/12/EC⁵ and insurance undertakings as defined in Article 2 of Council Directive 1991/674/EEC⁶. Member States may also designate other entities as public interest entities, for instance entities that are of significant public relevance because of the nature of their business, their size or their number of employees;
- (14) "Cooperative", for the purpose of this Directive, means a European Cooperative Society as defined in Article 1 of Council Regulation 1435/2003/EC of 22 July 2003, or any other cooperative which requires a statutory audit under Community Law, such as credit institutions within the meaning of Article 1(1) of European Parliament and Council Directive 2000/12/E⁷ and insurance undertakings as defined in Article 2 of Council Directive 1991/674/EEC⁸;
- (15) "Non-practitioner" means any natural person who has for at least three years prior to his or her involvement in the governance of the public oversight system not carried out statutory audits⁹, has not held voting rights in an audit firm, has not been a member of the administrative or management body of an audit firm and has not been employed by or otherwise associated¹⁰ with an audit firm.
- (16) "Key audit partner" means the statutory auditor who is [...] designated by an audit firm for a particular audit engagement as being primarily responsible, at the level of the group or of material subsidiaries, for carrying out the statutory audit on behalf of the audit firm and/or who signs the audit report.

⁴ OJ

⁵ OJ

⁶ OJ

⁷ OJ

⁸ OJ

⁹ DE, BE, EE are in favour of the previous version of the definition of non-practitioners (any person who has not been a statutory auditor for five years).

¹⁰ IT, PT, UK, AT sought clarification with regard to the wording "*or otherwise associated with*".

Chapter II

Approval, Continuous Education and Mutual Recognition

Article 3

Approval of statutory auditors and audit firms

1. Statutory audits shall be carried out only by statutory auditors or audit firms which are approved by the Member State requiring the statutory audit.
2. Each Member State shall designate competent authorities which shall be responsible for approving statutory auditors and audit firms.

The competent authorities may be professional associations provided that they are subject to a system of public oversight as provided for in this Directive

3. The competent authorities of the Member States may only approve as statutory auditors natural persons who satisfy at least the conditions laid down in Articles 4 and 6 to 10.
4. The competent authorities of the Member States may only approve as audit firms those entities which satisfy at least the conditions under a to d. Member States may set additional conditions, which shall not relate to the conditions under a to d¹¹.
 - (a) the natural persons who carry out statutory audits on behalf of the audit firm must at least satisfy the conditions imposed in Articles 4 and 6 to 10 and must be approved as statutory auditors in the Member State of the audit firm;

¹¹ UK, DE are in favour of deleting the second sentence of the introductory clause of Article 3(4).

- (b) the majority¹² of the voting rights must be held by audit firms which are approved in any¹³ Member State or by natural persons who satisfy at least the conditions imposed by articles 4 to 12; Member States may provide that such natural persons must also be approved in any Member State; for the purpose of the statutory audit of cooperatives and similar entities as referred to in Article 45 of Directive 86/635/EEC, Member States may establish other specific provisions in relation to voting rights;
- (c) the majority of the members of the administrative or management body of the audit firm must be audit firms which are approved in any Member State or natural persons who satisfy at least the conditions imposed by articles 4 to 12; Member States may provide that such natural persons must also be approved in any Member State. Where such a body has no more than two members, one of those members must at least satisfy the conditions in this paragraph;
- (d) the audit firm satisfies the conditions imposed in Article 4.

Article 4
Good repute

The competent authorities of a Member State may grant approval only to natural persons or firms of good repute.

Article 5
Withdrawal of approval

1. Approval of a statutory auditor or an audit firm shall be withdrawn if the good repute of that person or firm has been seriously compromised. Member States may, however, provide for a reasonable amount of time for the purpose of meeting those requirements.

¹² FR, SK, SE, EE, BE, FI, ES prefer a largely harmonised approach with regard to the majority requirements under (b) and (c); nevertheless Member States should be allowed to set higher requirements according to their national law.

¹³ FR, AT, LV, ES are in favour of replacing the word "*any Member State*" by "*the Member State concerned*" both in (b) and (c), whereas SK is in favour of this replacement only in (b) and PL only in (c).

2. Approval of an audit firm shall be withdrawn if any of the conditions imposed in points (b) and (c) in paragraph (4) of Article 3 is no longer fulfilled. Member States may, however, provide for a reasonable period of time [.....] for the purpose of meeting those requirements.
3. Where the approval of a statutory auditor or of an audit firm is withdrawn for any reason, the competent authority of the Member State where the approval is withdrawn shall communicate this fact and the reasons for the withdrawal to the relevant competent authority of Member States where the statutory auditor or audit firm is also approved and which are registered in the former Member State's register in accordance with article 16(1)(c).

Article 6

Educational qualifications

A natural person may be approved to carry out a statutory audit only after having attained university entrance or equivalent level, then completed a course of theoretical instruction, undergone practical training and passed an examination of professional competence of university final or equivalent¹⁴ examination level, organized or recognized by the State.

Article 7

Examination of professional competence

The examination of professional competence referred to in Article 6 shall guarantee the necessary level of theoretical knowledge of subjects relevant to statutory audit and the ability to apply such knowledge in practice. Part at least of that examination must be written.

Article 8

Test of theoretical knowledge

1. The test of theoretical knowledge included in the examination shall cover the following subjects in particular:
 - (a) general¹⁵ accounting theory and principles,

¹⁴ BE prefers to delete 'or equivalent' and make a reference to 'Bachelor plus or Master'.

¹⁵ BE wants to delete 'general'.

- (b) legal requirements and standards relating to the preparation of annual and consolidated accounts,
- (c) international accounting standards,
- (d) financial analysis,
- (e) cost and management accounting,
- (f) risk management and internal control,
- (g) auditing,
- (h) legal requirements and professional standards relating to statutory audit and statutory auditors,
- (i) international auditing standards,
- (j) professional skills,¹⁶
- (k) professional ethics and independence.

2. It shall also cover at least the following subjects in so far as they are relevant to auditing:

- (a) company law and corporate governance,
- (b) the law of insolvency and similar procedures,
- (c) tax law,
- (d) civil and commercial law,
- (e) social-security law and law of employment,
- (f) information technology and computer systems,

¹⁶ BE wants to delete 'professional skills'.

- (g) business, general and financial economics,
 - (h) mathematics and statistics,
 - (i) basic principles of the financial management of undertakings.
3. The Commission may, in accordance with the procedure referred to in Article 49 (2), [...] adapt the list of subjects [...] to be included in the test of theoretical knowledge referred to in paragraph 1. The Commission will take into account developments in auditing and the audit profession when adopting these implementing measures.

Article 9

Exemptions

1. By way of derogation from Articles 7 and 8, a Member State may provide that a person who has passed a university or equivalent examination or holds a university degree or equivalent qualification in one or more of the subjects referred to in Article 8 may be exempted from the test of theoretical knowledge in the subjects covered by that examination or degree.
2. By way of derogation from Article 7, a Member State may provide that a holder of a university degree or equivalent qualification in one or more of the subjects referred to in Article 8 may be exempted from the test of the ability to apply in practice his or her theoretical knowledge of such subjects if he or she has received practical training in them attested by an examination or diploma recognized by the State.

Article 10

Practical training

1. In order to ensure the ability to apply theoretical knowledge in practice, a test of which is included in the examination, a trainee shall complete a minimum of three years' practical training in, inter alia, the auditing of annual accounts, consolidated accounts or similar financial statements. At least two-thirds of such practical training shall be completed with a statutory auditor or audit firm approved in any Member State.
2. Member States shall ensure that all training is carried out with persons providing adequate guarantees regarding their ability to provide the practical training.

Article 11

Qualification through long term practical experience

Member States may approve a person who does not satisfy the conditions laid down in Article 6 as a statutory auditor, if he or she can show either:

- (a) that he or she has, for 15 years, engaged in professional activities which have enabled him or her to acquire sufficient experience in the fields of finance, law and accountancy and has passed the examination of professional competence referred to in Article 6, or
- (b) that he or she has, for seven years, engaged in professional activities in those fields and has, in addition, undergone the practical training referred to in Article 10 and passed the examination of professional competence referred to in Article 6.

Article 12

Combination of practical training and theoretical instruction

1. Member States may provide that periods of theoretical instruction in the fields referred to in Article 8 count towards the period of professional activity referred to in Article 11, provided that such instruction is attested by an examination recognized by the State. Such instruction must last not less than one year, nor may it reduce the period of professional activity by more than four years.
2. The period of professional activity as well as the practical training must not be shorter than the course of theoretical instruction and the practical training required in Article 6.

Article 13

Continuous education

Member States shall ensure that statutory auditors are subject to appropriate programmes of continuous education in order to maintain sufficient theoretical knowledge, professional skills and values, and that failure to respect the continuous education requirements is subject to appropriate sanctions as referred to in Article 30.

Article 14

Approval of statutory auditors from other Member States

The competent authorities of the Member States shall establish procedures for the approval of statutory auditors which have been approved in other Member States. These procedures shall not go beyond a requirement to pass an aptitude test in accordance with Article 4 of Council Directive 89/48/EEC¹⁷. The aptitude test, which shall be conducted in one of the languages permitted by the language rules applicable in the Member State, shall only cover the statutory auditor's adequate knowledge of the laws and regulations of the Member State concerned in so far as relevant for the statutory audit.

Chapter III

Registration

Article 15

Public register

1. Member States shall ensure that statutory auditors and audit firms which have been approved, in accordance with this Directive, are registered in a public register in accordance with Articles 16 and 17.
2. Member States shall ensure that each statutory auditor and audit firm is identified in the public register by an individual number. Registration information shall be stored in the register in electronic form and shall be electronically accessible by the public.
3. The public register shall also contain the name and address of the competent authorities in charge of approval as referred to in Article 3, quality assurance as referred to in Article 29, investigations and sanctions on statutory auditors and audit firms as referred to in Article 30, and public oversight as referred to in Article 31.

¹⁷ OJ L 19, 24.1.1989, p. 16.

4. Member States shall ensure that the public register referred to in paragraph 1 of this Article is fully operational not later than one year after the date referred to in Article 53(1).

Article 16

Registration of statutory auditors

1. As regards statutory auditors, the public register shall, at least, contain the following information:
 - (a) name, address and registration number;
 - (b) if applicable, the name, address, website address and registration number of the audit firm(s) by which the statutory auditor is employed, or with whom he or she is associated as a partner or otherwise;
 - (c) all other registration(s) as statutory auditor with competent authorities of other Member States and as auditor with third countries, including the name(s) of the registration authority(ies), and, if applicable, the registration number(s).
2. Third country auditors registered in accordance with Article 45 shall clearly appear in the register as such and not as statutory auditors.

Article 17

Registration of audit firms

1. As regards audit firms, the public register shall, at least, contain the following information:
 - (a) name, address and registration number;
 - (b) legal form;
 - (c) contact information, the primary contact person and, where applicable, the website address;
 - (d) address of each office in the Member State;

- (e) name and registration number of all statutory auditors employed by or associated as partner or otherwise with the audit firm;
- (f) names and business addresses of all owners and shareholders;
- (g) names and business addresses of all members of the administrative or management body;
- (h) if applicable, the membership of a network and a list of the names and addresses of member firms and affiliates or an indication of the place where such information is publicly available.
- (i) all other registration(s) as audit firm with competent authorities of other Member States and as audit entity with third countries, including the name(s) of the registration authority(ies), and, if applicable, the registration number(s).¹⁸

2. Third country audit entities registered in accordance with Article 45 shall clearly appear in the register as such and not as audit firms.

Article 18

Update of registration information

Member States shall ensure that statutory auditors and audit firms notify without undue delay the competent authorities in charge of the public register about any change of information contained in the public register. The register shall be updated without undue delay after notification.

Article 19

Responsibility for registration information

The information provided to the relevant competent authorities in accordance with Articles 16, 17 and 18 shall be signed by the statutory auditor or audit firm. Where the competent authority provides for the provision of the information electronically, this can be done by means of an electronic signature within the meaning of Article 2 (2) of Directive 1999/93/EC of the European Parliament and of the Council¹⁹.

¹⁸ DE proposes to delete point (i).

¹⁹ OJ L 13, 19.1.2000, p. 12.

Article 20

Language

1. The information entered into the public register shall be drawn up in one of the languages permitted by the language rules applicable in the Member State.
2. Member States may allow the information to be entered into the public register additionally in any other official language(s) of the Community. Member States may require the translation of the information to be certified.

In all cases, the Member State shall ensure that the register indicates whether the translation is certified or not.

Chapter IV

Professional ethics, independence and professional secrecy

Article 21

Professional ethics²⁰

1. Member States shall ensure that all statutory auditors and audit firms are subject to principles of professional ethics.
- 2.²¹ In order to ensure the confidence in the audit function and in order to ensure uniform application of paragraph 1, the Commission may, in accordance with the procedure referred to in Article 49 (2), adopt implementing measures concerning principles on professional ethics. These shall at least cover the following principles of the statutory auditor or audit firm:

²⁰ Amendment to Recital 8:

“Statutory auditors should adhere to the highest ethical standards. They should therefore be subject to professional ethics. The Commission may, as minimum standards, adopt implementing measures on professional ethics. In doing so, the principles contained in the IFAC Code of Ethics will be considered.”

FI, IT are in favour of the Commission wording of recital 8.

²¹ DE, AT, FR, FI, BE, CZ are sceptical to paragraph 2.

- (a) their public interest responsibility²²;
- (b) their integrity, independence²³ and objectivity;
- (c) their professional competence and due care.

Article 22

*Independence and objectivity*²⁴

1. Member States shall ensure that, when carrying out a statutory audit, the statutory auditor and/or the audit firm is independent from the audited entity and is not in any way involved in management decisions of the audited entity.²⁵
2. A statutory auditor or an audit firm shall not carry out a statutory audit if there is any direct or indirect financial, business, employment or other relationship between the statutory auditor, audit firm or the network²⁶ - including the provision of additional services - and the audited entity of which a reasonable and informed third party would conclude that the statutory auditor's or audit firm's independence is compromised²⁷. If the statutory auditor's or audit firm's independence is affected by threats, such as self-interest, self-review,

²² FR, ES are in favour of the previous wording ('responsibility to the public').

²³ FR requests the deletion of the wording 'independence'.

²⁴ Amendment to recital 10:

"Statutory auditors and audit firms should be independent when carrying out a statutory audit. If they find themselves in a situation where the significance of the threats to their independence, also after application of safeguards to mitigate these threats, is too high, they should resign or abstain from the audit engagement. They should also refuse to undertake any non-audit service that might constitute a breach to their independence. The Commission may, as minimum standards, adopt implementing measures on independence. In doing so, the Commission will take into consideration the principles contained in the Commission Recommendation of 16 May 2002 on 'Statutory Auditors' Independence in the EU'."

BE, FI request deletion of the second sentence of recital 10. DE, AT are in favour of German suggestion for recital 10: [...] In a situation that leads to an impairment of their independence, they should be excluded [...] from the audit engagement. [...] Adopting implementing measures, Member States will take into consideration"

²⁵ DE, AT are in favour of 'and does not take a managerial role or function in the audited entity' in stead of 'and is not ... of the audited entity'. AT proposed as an alternative to add 'This does not withstand auditor's findings of a recommendatory character.' in paragraph 1.

²⁶ DE, AT favour deletion of 'or the network'.

²⁷ FR wants to add two situations in which a statutory auditor or audit firm shall not carry out a statutory audit: (b) when it provides additional services not directly related to the audit, (c) when it has an interest in the audited entity. Additional services which are at least not compatible with the audit function are (a) any commercial activity, (b) any paid employment activity (except teaching related to audit profession).

advocacy, familiarity or trust or intimidation, the statutory auditor or audit firm must apply safeguards in order to mitigate these threats. If the significance of the threats is such that the independence of the statutory auditor or audit firm is compromised, the statutory auditor or audit firm shall not carry out the statutory audit.²⁸

3. Member States shall ensure that the statutory auditor or audit firm documents in the audit working papers all significant²⁹ threats to his, her or their independence as well as the safeguards applied to mitigate those threats.³⁰

4.³¹ In order to ensure the confidence in the audit function and in order to ensure uniform application of paragraphs 1 and 2, the Commission may, in accordance with the procedure referred to in Article 49 (2), adopt implementing measures concerning:

(a) the definition of the threats and safeguards referred to in paragraph 2.

(b) the situations in which the significance of the threats, as referred to in paragraph 2, is such that that the independence of the statutory auditor or audit firm is compromised³²;

Article 23

Confidentiality and professional secrecy

1. Member States shall ensure that all information and documents to which the statutory auditor or audit firm has access when carrying out a statutory audit are protected by adequate rules on confidentiality and professional secrecy.

²⁸ BE proposes to include more elements from the Commission recommendation on independence and to work out in detail which situations are considered a threat to independence, such as a financial interest in audited entity and the provision of certain non audit services.

²⁹ BE wants to delete ‘significant’.

³⁰ DE,AT propose the following wording for paragraph 3: ‘Member States shall ensure that the statutory auditor or audit firm is obliged to document in the audit working papers all [...] safeguards to ensure independence. [...]’

³¹ DE, AT, SE, EE, IE are sceptical to paragraph 4. FR proposes to adopt implementing measures concerning: ‘(a) the relationship referred to in paragraph 2 (a); (b) the services directly related to the audit mission referred to in paragraph 2 (b).’

³² FI considers the wording in this paragraph too detailed.

2. Confidentiality and professional secrecy rules relating to statutory auditors or audit firms shall not impede enforcement of the provisions of this Directive³³.
3. Where a statutory auditor or audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall provide access to all relevant information concerning the audited entity to the incoming statutory auditor or audit firm.
4. A statutory auditor or audit firm who has ceased to be engaged in a particular audit assignment or a former statutory auditor or audit firm shall still be subject to the provisions of paragraphs 1 and 2 of this article with respect to that audit assignment.

Article 24

Independence and objectivity of the statutory auditors carrying out the statutory audit on behalf of audit firms

Member States shall ensure that the owners or shareholders of an audit firm as well as the members of the administrative, management and supervisory bodies of such a firm or an affiliated firm do not intervene in the execution of a statutory audit in any way which jeopardizes the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm.

Article 25

Audit fees

Member States shall ensure that adequate rules are in place which provide that fees for statutory audits:

- (a) are not influenced or determined by the provision of additional services to the audited entity; and
- (b) cannot be based on any form of contingency.

³³ UK prefers to refer to the relevant specific Articles in the Directive (Articles 23(3) and 47).

Chapter VI³⁴

Auditing Standards and Audit Reporting

Article 26

Auditing standards

1. Member States shall require statutory auditors and audit firms to carry out statutory audits in accordance with international auditing standards adopted by the Commission in accordance with the procedure referred to in Article 49 (2).
2. The Commission shall only adopt international auditing standards for application in the Community if they^{35 36}:
 - (a) are generally accepted internationally and are developed with proper due process, public oversight and transparency;
 - (b) contribute to a high level of credibility to the annual or consolidated accounts in conformity with the principles set out in Article 2 (3) of Directive 78/660/EEC and in Article 16 (3) of Directive 83/349/EEC;
 - (c) are conducive to the European public good

³⁴ This becomes Chapter V following Irish Presidency approach. Numbering not changed to facilitate comparisons with "official text", i.e. original circulated text

³⁵ EL prefers a solution where endorsed ISA is only obligatory for consolidated accounts.

³⁶ FR, PT request clarification on the possibility of full or partial adoption of ISA. UK is in favour of the principle to endorse a standard only in its entirety.

3. Member States may only impose audit procedures or requirements in addition to the international audit standards referred to in paragraph 1 if these follow from specific national requirements relating to the scope³⁷ of the statutory audit. Member States shall communicate these additional procedures or requirements to the Commission. Member States may only impose audit standards in addition to the standards referred to in paragraph 1 during a period of three years after the date on which this Directive enters into force in accordance with Article 54. Member States shall communicate these additional standards to the Commission.

Article 27

Statutory audit of consolidated accounts

Member States shall ensure that in the case of a statutory audit of consolidated accounts of a group of undertakings:

- (a) the group auditor bears the full responsibility³⁸ for the audit report in relation with the consolidated accounts;
- (b) The group auditor carries out a review and maintains documentation of his or her review of the audit work performed by the other auditor(s), statutory auditor(s), audit entity(ies) or audit firm(s) for the purpose of the group audit. The documentation retained by the group auditor should be adequate for the relevant competent authority to properly review the work of the group auditor³⁹.

³⁷ DE, FI, IT, AT suggested further modifications to ensure that national standards are also possible for other reasons than scope (purpose of audit, national company law, technical regulations).

³⁸ SK is in favour of referring to auditor's liability under (a).

³⁹ FR, BE, IT, UK prefer the deletion of the last sentence in point (b).

- (c)⁴⁰ when a component of a group of undertakings is audited by auditor(s) or audit entity(s) from a third country that has no co-operation agreement as referred to in Article 47, the group auditor is responsible for ensuring proper delivery to the public oversight authorities of the documentation of the audit work performed by the other auditor(s) or audit entity(s), including the work papers relevant for the group audit. To ensure such delivery, the group auditor shall retain a copy of such documentation, or alternatively, agree with the other auditor(s) or audit entity(s) his proper and unrestricted access upon request or take any other appropriate action. If legal or other impediments prevent audit working papers to be passed from a third country to the group auditor, the documentation retained by the group auditor shall include the evidence that he or she has undertaken the appropriate procedures in order to gain access to the audit documentation, and the evidence supporting such impediment.

Article 28

Audit reporting

1. Where an audit firm carries out the statutory audit, the audit report shall be signed at least⁴¹ by the statutory auditor(s)^{42 43} carrying out the statutory audit on behalf of the audit firm.
- 2.⁴⁴ Notwithstanding Article 51a(1) of Directive 78/660/EEC, the Commission may, in accordance with the procedure referred to in Article 49 (2), in order to enhance the public confidence in the audit function, adopt a common standard audit report for annual or consolidated accounts which have been prepared in accordance with approved international accounting standards.

⁴⁰ UK, FR, IE, SE are against insertion of a point (c). EE has entered a scrutiny reservation.

⁴¹ IT, FR, ES against 'at least'.

⁴² DE, FI, IE want to refer to the 'key audit partner'.

⁴³ UK is in favour of the possibility that the firm signs the audit report.

DE, UK, FI, IE, PL, SE, AT, LV prefer deletion of paragraph 2.

Chapter VII Quality Assurance

Article 29

Quality Assurance Systems

1. Member States shall ensure that all statutory auditors and audit firms are subject to a system of quality assurance which meets at least the following criteria:
 - a) the quality assurance system must be organised in a manner that it is independent from the reviewed statutory auditors and audit firms and subject to public oversight as described in Chapter IX;
 - b) the funding for the quality assurance system must be secure and free from any undue influence by statutory auditors or audit firms;
 - c) the quality assurance system must have adequate resources;
 - d) persons who carry out the quality assurance reviews must have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews;
 - e) the selection of reviewers for specific quality assurance review assignments must be made under an objective procedure [...] designed to ensure that there are no conflicts of interest between the reviewers and the statutory auditor or audit firm under review;
 - f) the scope of the quality assurance review, supported by adequate testing of selected audit files, must include an assessment of the compliance with applicable auditing standards and independence requirements, of the quantity and quality of resources spent, of the audit fees charged and an assessment of the internal quality control system of the audit firm⁴⁵;

⁴⁵ FI prefers previous wording and would like to add 'or another assessment'.

- (g) the quality assurance review must result in the establishment of a report which contains the main conclusions of the quality assurance review;
- (h) quality assurance reviews must take place at least every six years⁴⁶;
- (i) the overall results of the quality assurance system must be published annually;
- (j) recommendations of quality reviews shall be followed up by the statutory auditor or audit firm within a reasonable period.

In case the recommendations referred to in point j) of the first subparagraph are not followed up, the statutory auditor or audit firm shall, if applicable,⁴⁷ be subject to the system of disciplinary actions or sanctions as referred to in Article 30.⁴⁸

2. The Commission may adopt, in accordance with the procedure referred to in Article 49 (2), implementing measures in order to enhance the public confidence in the audit function and to ensure uniform application of paragraph 1, sub paragraphs a, b⁴⁹ and e to j.

Chapter VIII

Investigations and sanctions

Article 30

Systems of investigations and sanctions

1. Member States shall ensure that there are effective systems of investigations and sanctions to detect, correct and prevent inadequate execution of the statutory audit.
2. Without prejudice to Member States' civil liability regimes, Member States shall provide effective, proportionate and dissuasive [...] sanctions in respect of statutory auditors and audit firms, where statutory audits are not carried out in conformity with the provisions adopted in the implementation of this Directive.

⁴⁶ BE wants to add a requirement that individual auditors need to be subject to a review every ten years.

⁴⁷ IT opposes to insertion of 'if applicable'.

⁴⁸ AT wants to have an additional paragraph for cooperatives.

⁴⁹ PT, PL, LU want to delete point b from paragraph 2.

3. Member States shall provide that measures taken or sanctions imposed on statutory auditors and audit firms are appropriately disclosed to the public. Sanctions should include the possibility of the withdrawal of approval.

Chapter IX

Public oversight and regulatory arrangements between Member States

Article 31

Principles of public oversight

1. Member States shall organise an effective system of public oversight for statutory auditors and audit firms based on principles set out in paragraphs 2 to 7.
2. All statutory auditors and audit firms must be subject to public oversight.
3. The system of public oversight must be governed by non-practitioners who are knowledgeable⁵⁰ in the areas relevant to statutory audit. Member States may however allow a minority of practitioners to be involved in the governance of the public oversight system. Persons involved in the governance of the public oversight system must be selected under an independent and transparent nomination procedure.
4. The system of public oversight must have the ultimate responsibility for⁵¹ the oversight of :
 - (a) the approval and registration of statutory auditors and audit firms, and
 - (b) the adoption of standards on ethics, internal quality control of audit firms and auditing, and
 - (c) continuous education, quality assurance and investigative and disciplinary systems.

⁵⁰ IT proposes a recital to clarify the meaning of knowledgeable: 'In order to ensure compliance with Article 31(3) Principles of Public Oversight, a non-practitioner is deemed to be knowledgeable in the areas relevant to the statutory audit either because of his past professional skill, or alternatively having knowledge of at least one of the subjects listed under Article 8.'

⁵¹ BE, FI propose 'in charge of' in stead of 'ultimate responsibility'.

5. The system of public oversight must have the right, where necessary, to conduct investigations on statutory auditors and audit firms and must have the right to take appropriate action.
6. The system of public oversight must be transparent. This shall include the publication of annual work programmes and activity reports.
7. The system of public oversight must be adequately funded. The funding for the public oversight system must be secure and free from any undue influence by statutory auditors or audit firms. ⁵²

Article 32

Cooperation between public oversight systems at Community level

1. Member States shall ensure that regulatory arrangements for systems of public oversight enable effective cooperation at Community level between oversight activities of Member States. To that extent, Member States shall make one entity⁵³ specifically responsible for ensuring the co-operation. [.....]
2. [...]

Article 33

Mutual recognition of regulatory arrangements between Member States

1. Regulatory arrangements of Member States shall respect the principle of home country regulation and oversight by the Member State in which the statutory auditor or audit firm is approved and the audited entity has its registered office.

⁵² IT proposes to add a new paragraph 8: ‘Member States are allowed to apply more stringent requirements to the oversight of statutory auditors and audit firms that carry out statutory audits on public interest entities which are already in place at the date of the coming into force of the present Directive. These requirements will be non-discriminatory and communicated to the Commission by that date.’

⁵³ IT prefers to refer to more than one entity (either in text of directive or recital).

2. In the case of a statutory audit of consolidated accounts, the Member State requiring the statutory audit of the consolidated accounts, may not impose additional requirements in relation to the statutory audit concerning registration, quality assurance review, auditing standards, ethics and independence on a statutory auditor or audit firm carrying out a statutory audit of a subsidiary established in another Member State.
3. In the case of a company whose securities are traded on a regulated market in another Member State than where the company has its registered office, the Member State where the securities are traded may not impose any additional requirements in relation to the statutory audit concerning registration, quality assurance review, auditing standards, ethics and independence on a statutory auditor or audit firm carrying out the statutory audit of the annual or consolidated accounts of the company.

Article 33a

Designation of competent authorities

1. Member States shall designate one or more competent authorities for the purposes of the tasks provided for in this Directive. Member States shall inform the Commission⁵⁴ about their designation.
2. The competent authorities should be organized in such a manner that conflicts of interests are avoided.

Article 34

Professional secrecy and regulatory co-operation between Member States

1. The competent authorities⁵⁵ of Member States responsible for approval, registration, quality assurance, inspection and discipline shall co-operate with each other whenever necessary for the purpose of carrying out their respective responsibilities under the Directive. The competent authorities in a Member State responsible for approval, registration, quality assurance, inspection and discipline shall render assistance to

⁵⁴ FR, FI remarked that information to the Commission is already covered in Article 53.

⁵⁵ FI asked for a clearer definition of competent authorities in Article 2.

competent authorities in other Member States. In particular, competent authorities shall exchange information and co-operate in investigations related to the carrying out of statutory audits.⁵⁶

2. The obligation of professional secrecy shall apply to all persons who work or who have worked for competent authorities. Information covered by professional secrecy may not be disclosed to any other person or authority except by virtue of law, regulation or administrative procedures of a Member State.
3. Paragraph 2 shall not prevent competent authorities from exchanging confidential information. Information thus exchanged shall be covered by the obligation of professional secrecy, to which persons employed or formerly employed by competent authorities are subject.
4. Competent authorities shall, on request, and without undue delay, supply any information required for the purpose referred to in paragraph 1. Where necessary, the competent authorities receiving any such request shall without undue delay take the necessary measures in order to gather the required information. If the requested competent authority is not able to supply the required information without undue delay it shall notify the requesting Competent Authority of the reasons. Information thus supplied shall be covered by the obligation of professional secrecy to which the persons employed or formerly employed by the competent authorities that received the information are subject.

The competent authorities may refuse to act on a request for information where:

- (a) communication might adversely affect the sovereignty, security or public order of the State addressed or breach national security rules, or
- (b) judicial proceedings have already been initiated in respect of the same actions and against the same statutory auditors and audit firms before the authorities of the State addressed, or
- (c) final judgement has already been passed on such persons for the same actions by the competent authorities of the State addressed.

⁵⁶ IT views that that it should be made clear that Member States – in the sense of minimum harmonisation - could go beyond Article 34(1).

Without prejudice to the obligations to which they are subject in judicial proceedings [...], the authorities which receive information pursuant to paragraph 1 may use it only for the exercise of their functions within the scope of this Directive and in the context of administrative or judicial proceedings specifically related to the exercise of those functions.

5. Where a competent authority is convinced that activities contrary to the provisions of this Directive are being or have been carried out on the territory of another Member State, it shall communicate and notify this in as specific a manner as possible to the competent authority of the other Member State. The competent authority of the other Member State shall take appropriate action. It shall inform the notifying competent authority of the outcome and, to the extent possible, of significant interim developments.
6. A competent authority of one Member State may also request that an investigation be carried out by the competent authority of another Member State, on the latter's territory.

It may further request that some of its own personnel be allowed to accompany the personnel of the competent authority of that other Member State during the course of the investigation.

The investigation shall be subject throughout to the overall control of the Member State on whose territory it is conducted.

The competent authorities may refuse to act on a request for carrying out an investigation as provided for in the first subparagraph, or on a request for its personnel to be accompanied by another Member State competent authority personnel as provided for in the second subparagraph, where such an investigation might adversely affect the sovereignty, security or public order of the State addressed, or where judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the State addressed or where final judgement has already been passed on such persons for the same actions by the competent authorities of the State addressed.

7. The Commission may adopt, in accordance with the procedure referred to in Article 49 (2), implementing measures in order to facilitate cooperation between competent authorities on the procedures of exchange of information and modalities for cross-border investigations provided for in paragraphs 2 to 4.

Chapter X

Appointment, dismissal and communication

Article 35

Appointment of statutory auditors or audit firms

1. The statutory auditor or audit firm shall be appointed by the general meeting of shareholders⁵⁷ of the audited entity.⁵⁸
2. Member States may allow alternative systems or modalities for the appointment of the statutory auditor or audit firm provided that these systems or modalities are designed to⁵⁹ ensure the independence of the statutory auditor or audit firm from the executive members of the administrative body or from the managerial body of the audited entity.

Article 36

Dismissal and resignation of statutory auditors or audit firms

1. Member States shall ensure that statutory auditors or audit firms may only be dismissed where there are proper grounds; divergence of opinions on accounting treatment or audit procedures shall not be a proper ground for dismissal.

⁵⁷ FI, BE prefer to delete ‘shareholders’ in order to have enough flexibility for the appointment of auditors in case of company forms without shareholders, such as cooperatives.

⁵⁸ UK proposal for paragraph 1: ‘Subject to paragraph 2, the statutory auditor or audit firm shall, where applicable, be appointed by the general meeting of shareholders of the audited entity [...].’

⁵⁹ AT prefers to replace ‘designed to’ with ‘appropriate for’.

2. Member States shall ensure that the audited entity and the statutory auditor or audit firm shall inform the authority or authorities responsible for public oversight about the dismissal or resignation during the term of appointment and shall give an adequate explanation of the reasons thereof.

*Article 37*⁶⁰

Communication between the audited entity and the statutory auditor or audit firm

Member States shall ensure that adequate rules are in place which provide for an effective communication between the statutory auditor or audit firm and the audited entity and that such communication is properly recorded by the audited entity.

Chapter XI

Special provisions for the statutory audit of public interest entities

Article 37a

Application to non listed [...] public interest entities

Member States may exempt public interest entities, whose transferable securities are not admitted to trading on a regulated market within the meaning of Article 4(1) of Directive 2004/39/EC, [...] and their statutory auditor(s) or audit firm(s) from one or more of the requirements in this chapter.

Article 38

Transparency report

1. Member States shall ensure that statutory auditors or audit firms that carry out statutory audit(s) of public interest entities publish on their website, within three months of the end of each financial year, an annual transparency report that includes at least the following :
 - (a) a description of the legal structure and ownership;

⁶⁰ FR, PL, FI, DE, SE, AT, UK prefer the deletion of Article 37.

- (b) where the audit firm belongs to a network, a description of the network and the legal [...] and structural arrangements in the network;
- (c) a description of the governance structure of the audit firm;
- (d) a description of the internal quality control system of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning;
- (e) an indication of when the last quality assurance review referred to in article 29 took place;
- (f) a listing of public interest entities for which a statutory audit has been carried out during the last year by the audit firm;
- (g) a statement about the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted;
- (h) a statement on the policy followed by the audit firm concerning continuous education of statutory auditors referred to in Article 13;
- (i) financial information showing the importance of the audit firm such as the total turnover divided into fees from the statutory audit of annual and consolidated accounts, and fees charged for other assurance services, tax advisory services and other non-audit services;
- (j) information about the basis for the partner remuneration.

2. The transparency report shall be signed by the statutory auditor or audit firm, as the case may be. This can be done by means of an electronic signature within the meaning of Article 2 (2) of Directive 1999/93/EC of the European Parliament and of the Council.

*Article 39*⁶¹

Audit committee

1. Public interest entities shall have an audit committee. Member states shall determine whether this committee shall be composed of non-executive members of the administrative body or members of the supervisory body of the audited entity or of other members that are appointed by the general meeting of shareholders of the audited entity. At least one member of the audit committee shall be independent and have competence in accounting and/or auditing.

In public interest entities where the (administrative or) supervisory body is small, the functions assigned to the audit committee may be performed by the body as a whole, provided that it meets the composition requirements for the audit committee.

2. Without prejudice to the responsibility of the members of the administrative, management or supervisory body, the audit committee shall inter alia:
 - (a) monitor the financial reporting process;
 - (b) monitor the effectiveness of the company's internal control, internal audit where applicable, and risk management systems;
 - (c) monitor the statutory audit of the annual and consolidated accounts;
 - (d) review and monitor the independence of the statutory auditor or audit firm and in particular the provision of additional services to the audited entity.
3. The proposal of the administrative body or supervisory board in public interest entities for the appointment of a statutory auditor or audit firm shall be based on a selection made by the audit committee.

⁶¹ FR, UK, DK, FI, DE, AT prefer deletion of Article 39. DE, AT could accept Article 39 if small credit institutions could be exempted. PT asks for a similar exemption. BE proposes to make Article 39 optional for member states. FR, UK, DK, FI could support this, but prefer deletion of the Article.

4. The statutory auditor or audit firm must report to the audit committee on key matters arising from the statutory audit, in particular on material weaknesses in internal control in relation to the financial reporting process.
5. Member States may exempt public interest entities which are subsidiary undertakings as defined in Article 1 of Directive 83/349/EEC from the requirement to have an audit committee if the company complies with the requirements in this Article at group level.

Article 40

Independence

1. In addition to the provisions laid down in Articles 22 and 24, Member States shall ensure that the statutory auditor or audit firm that carries out statutory audit(s) of public interest entities:
 - (a) shall annually confirm in writing to the audit committee their independence from the audited public interest entity;
 - (b) shall annually disclose to the audit committee any additional services provided to the audited entity; and
 - (c) shall discuss with the audit committee the threats to the independence of the statutory auditor or audit firm and the safeguards applied to mitigate those threats as documented by the statutory auditor or audit firm pursuant to Article 22(2).
- (2) Member States shall ensure that either the statutory auditor or the key audit partner responsible for carrying out the statutory audit on behalf of an audit firm shall rotate from the statutory audit engagement within a maximum period of seven years after the date of appointment and shall be allowed to participate in the audit of the audited entity again after a minimum period of [...] two⁶² years, [...] or alternatively that the audit firm shall rotate within a maximum period of seven years for at least [...] two years, provided that, when the audit firm rotates, the statutory auditor or the key audit partner responsible for carrying out the statutory audit on behalf of the audit firm also rotates from the statutory audit engagement.

⁶² DE is against two years if seven years above is maintained.

- (3) The statutory auditor or the key audit partner who carries out the statutory audit on behalf of an audit firm shall not be allowed to take up a key management position in the audited entity before a period of at least two⁶³ years has elapsed since he or she resigned as a statutory auditor or key audit partner from the audit engagement.⁶⁴

Article 41

Quality Assurance

The quality review referred to in Article 29 must be carried out at least every three years for statutory auditors or audit firms that carry out statutory audits of public interest entities.

Article 42

Public oversight

Deleted

Article 43

Appointment of the statutory auditor or audit firm

Deleted

⁶³ FR, PT prefer a period of five years.

⁶⁴ FR, PT propose to add a paragraph which includes a cooling off period of five years for employees of audited entities before they can audit their former employer.

Chapter XII

International aspects

Article 44

Approval of third country auditors [...]

1. On the condition of reciprocity⁶⁵, the competent authorities of a Member State may approve third country auditors as statutory auditor if the person has furnished proof that he or she has:
 - (a)⁶⁶ been approved as an auditor in the country with which reciprocal arrangements have been agreed, which approval shall include a requirement that the auditor be of good repute;
 - (b) successfully passed a test of theoretical knowledge equivalent to that provided for in Article 8,
 - (c) undergone practical training equivalent to that provided for in Article 10, and
 - (d) undergone continuous training equivalent to that provided for in Article 13.
2. The competent authorities of a Member State shall, before granting approval to a third country auditor who meets the requirements of paragraph 1, apply the requirements in Article 14⁶⁷.

Article 45

Registration and oversight of third country auditors and audit entities [...]

1. The competent authorities of a Member State shall register in accordance with Articles 15 to 17 all third country auditors and audit entities which provide an audit report concerning:

⁶⁵ UK opposed to the condition of reciprocity.

⁶⁶ UK is in favour of deleting points (a) and (d).

⁶⁷ FR prefers previous text ('aptitude test similar to that required under Article 14').

- (a) the annual or consolidated accounts of a company established outside the Community whose transferable securities are admitted to trading on a regulated market of that Member State within the meaning of Article 4(1) of Directive 2004/39/EC;
- (b) the consolidated accounts of a larger body of undertakings drawn up by a parent undertaking not governed by the law of a Member State, to which the parent undertaking, governed by the law of the Member State belongs, when the latter is exempted from drawing up consolidated accounts on the basis of Article 11 of Directive 83/349/EEC⁶⁸.

2. Articles 18 and 19 shall apply.

3. Member States shall subject registered third country auditors and audit entities to their system of oversight, their quality assurance system and their systems of investigations and sanctions.⁶⁹

4. Without prejudice to Article 46, audit reports concerning annual accounts or consolidated accounts referred to in paragraph 1 issued by third country auditors or audit entities that are not registered in the Member State shall not have legal effect in that Member State.

5.⁷⁰ Member States may only register third country audit entities, if:

- (a) they meet requirements which are equivalent to those of Article 3(4);
- (b) the majority of the members of the administrative or management body of the third country audit entity meet requirements which are equivalent to those of Articles 4 to 10;
- (c) the third country auditor carrying out the audit on behalf of the third country audit entity meets the requirements which are equivalent to those of Articles 4 to 10;

⁶⁸ UK, LU, IE, DK, SE propose to delete point (b).

⁶⁹ LU (supported by UK, IE, DK, SE) proposes to replace the control mechanism in paragraph 3 by a mechanism of transparency.

⁷⁰ LU, UK, IE, DK, SE propose to delete paragraphs 5 and 6.

- (d) the audits of the annual or consolidated accounts referred to in paragraph 1, are carried out in accordance with international auditing standards as referred to in Article 26, as well as the requirements laid down in Chapter V, or with equivalent standards and requirements;
 - (e) they publish on their website an annual transparency report which includes the information referred to in Article 38 or they comply with equivalent disclosure requirements.
6. The equivalence referred to in paragraph 5(d) shall be assessed by the Commission in cooperation with Member States and shall be decided upon by the Commission in accordance with the procedure referred to in article 49(2).

Article 46

Derogation in the case of equivalence

1. Member States may disapply or modify the requirements in Article 45 (1) and (3) on the basis of reciprocity only if these third country audit entities are subject to systems of public oversight, quality assurance and investigations and sanctions in the third country that meet requirements equivalent to those of Articles 29, 30 and 31.
2. The equivalence referred to in paragraph 1 shall be assessed by the Commission in cooperation with Member States and shall be decided upon by the Commission in accordance with the procedure referred to in Article 49 (2). Pending such a decision by the Commission, Member States may assess the equivalence referred to in paragraph 1 as long as the Commission has not taken any decision. If the Commission decides that the requirement of equivalence referred to in paragraph 1 is not complied with, it may allow the audit entities concerned to continue their audit activities in accordance with the relevant Member State's requirements during an appropriate transitional period.⁷¹

⁷¹ LU (supported by UK, IE, DK, SE) prefers deletion of the last sentence of paragraph 2 and would prefer in the second sentence 'Pending such a decision by the Commission, Article 45(3) shall not apply.'. UK could also support its proposal where not the Commission, but Member States would assess the equivalence.

Article 47

Cooperation with competent authorities from third countries

1. Member States may allow the transfer to the competent authorities of a third country of audit working papers⁷² or other documents held by statutory auditors or audit firms approved by them, provided that:
 - (a) these audit working papers or other documents relate to audits of companies which have issued securities in that third country or which are components of a group issuing statutory consolidated accounts in that third country ;
 - (b) the transfer takes place via the home competent authorities to the competent authorities of that third country and upon their request;
 - (c) the competent authorities of the third country concerned meet requirements which have been declared adequate according to paragraph 3;
 - (d) there are working arrangements on the basis of reciprocity agreed between the competent authorities concerned.

2. The working arrangements referred to in paragraph 1(d) shall ensure that:
 - (a) justification is provided by the competent authorities of the purpose of the request for audit working papers and other documents;
 - (b) the persons employed or formerly employed by the competent authorities of the third country that receive the information are subject to obligations of professional secrecy;
 - (c) the competent authorities of the third country may use audit working papers and documents only for the exercise of their functions of public oversight, quality assurance and investigations that meet requirements equivalent to those of Articles 29, 30 and 31;
 - (d) the request from a competent authority of a third country for audit

⁷² UK proposes to delete the reference to ‘audit working papers’ in Article 47.

working papers or other documents held by a statutory auditor or audit firm can be refused where the provision of those working papers or documents would adversely affect the sovereignty, security or public order of the Community or of the Member State concerned, or where judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the Member State concerned.

3. The adequacy referred to in paragraph 1(c) is decided upon by the Commission in accordance with the procedure referred to in Article 49(2) in order to facilitate cooperation between competent authorities. The assessment of adequacy shall be carried out in cooperation with Member States and be based on the requirements of Article 34 or essentially equivalent functional results. Member States shall take the measures necessary to comply with the Commission's decision.
4. In exceptional cases and by derogation to paragraph 1, Member States may allow statutory auditors and audit firms approved by them to transfer audit working papers and other documents directly to the competent authorities of a third country, provided that:
 - (a) investigations have been initiated by the competent authorities in that third country;
 - (b) the transfer is not in contradiction with the obligations which statutory auditors and audit firms have to comply with in relation to the transfer of audit working papers and other documents to their home competent authority;
 - (c) there are working arrangements with the competent authorities of that third country that allow the competent authorities in the Member State reciprocal direct access to audit working papers and other documents of audit firms;
 - (d) the requesting competent authority of the third country informs in advance the home competent authority of the statutory auditor or audit firm of each direct request for information, indicating the reasons thereof;
 - (e) the conditions referred to in paragraph 2 are respected.

5. The Commission may, in accordance with the procedure referred to in Article 49 (2), define the exceptional cases referred to in paragraph 4 in order to facilitate cooperation between competent authorities and to ensure uniform application of paragraph 4.
6. Member States shall communicate to the Commission the working arrangements referred to in paragraphs 1 and 4.

Chapter XIII

Transitional and final provisions

Article 48

Implementing measures

Deleted

Article 49

Committee

1. The Commission shall be assisted by an audit regulatory committee (hereinafter referred to as the Committee) composed of representatives of the Member States and chaired by a representative of the Commission.
2. Where reference is made to this paragraph the regulatory procedure laid down in Articles 5 and 7 of Decision 1999/468/EC shall apply, having regard to Article 8 thereof.

The period laid down in Article 5(6) of Decision 1999/468/EC shall be set at three months.
3. The Committee shall adopt its Rules of Procedure.

*Article 50*⁷³

Amendment of Directive 78/660/EEC and Directive 83/349/EEC

1. Directive 78/660/EEC is amended as follows:

(a) In Article 43 the following point is added:

"(15) separately, the total fees for the financial year charged by the statutory auditor or audit firm for the statutory audit of annual accounts, the total fees charged for other assurance services, the total fees charged for tax advisory services and the total fees charged for other non-audit services.";

(b) Article 44(1) shall be replaced by the following:

"1. Member States may permit the companies referred to in Article 11 to draw up abridged notes on their accounts without the information required in Article 43(1)(5) to (12), (14)(a) and (15). However, the notes must disclose the information specified in Article 43(1) (6) in total for all the items concerned."

2. In Article 34 of Directive 83/349/EEC the following point is added:

"(16) separately, the total fees for the financial year charged by the statutory auditor or audit firm for the statutory audit of the consolidated accounts, the total fees charged for other assurance services, the total fees charged for tax advisory services and the total fees charged for other non-audit services."

⁷³ UK, DE, IE, DK, MT, SE, EE, AT, LU, FI support DE and UK proposals for Article 50. UK proposes to add under (a): 'Member States may provide that this requirement shall not apply where the company is included within the consolidated accounts required to be drawn up under Article 1 of Directive 83/349'; and under (b): 'Member States may permit the companies referred to in Article 27 to draw up abridged notes on their accounts without the information required in Article 43 (15).'

DE proposes to add a paragraph (c): 'Article 45 (2) shall be replaced by the following: "2. Paragraph 1 (b) shall also apply to the information prescribed by Article 43 (1) (8). The Member States may permit the companies referred to in Article 27 to omit the disclosures prescribed by Article 43 (1) (8) and (15). Article 12 shall apply.'

Article 51

Repeal of Directive 84/253/EEC

Directive 84/253/EEC shall be repealed with effect from the date indicated in Article 54 (1).
References to the repealed Directive shall be construed as references to this Directive.

Article 52

Transitional provision

Statutory auditors or audit firms that are approved by the competent authorities of the Member States in accordance with the provisions of Directive 84/253/EEC before the entering into force of the provisions referred to in 53 (1), shall be considered as having been approved in accordance with the provisions of this Directive.

Article 53

Transposition

1. Member States shall adopt and publish within 18⁷⁴ months after the entry into force of this Directive the provisions necessary to comply with this Directive. They shall forthwith inform the Commission thereof.
2. When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.
3. Member States shall communicate to the Commission the texts of the main provisions of national law which they adopt in the field covered by this Directive.

⁷⁴ ES, SE, PT, DE, AT are opposed to 18 months and ask for 24 months.

Article 54

Entry into force

This Directive shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

Article 55

This Directive is addressed to the Member States.

Done at Brussels,

For the European Parliament

The President

[...] [...]

For the Council

The President