



The Public Oversight System in Mediterranean Countries

-A comparative study-

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TABLE OF CONTENTS

1. INTRODUCTION AND SUMMARY	3
1.1 Respondents	3
1.2 Existing public oversight systems or the implementation in the near future	3
1.3 Details of public oversight systems implemented.....	3
1.4 Nomination procedure and Composition (practitioners/non-practitioners)	3
1.5 Scope of activities and responsibilities.....	4
1.6 Funding.....	4
1.7 Transparency	4
1.8 The respondents' views on the need of a public oversight system.....	4
2. RESPONDENTS TO THE SURVEY.....	6
3. MEDITERRANEAN COUNTRIES WHICH HAVE IMPLEMENTED A PUBLIC OVERSIGHT SYSTEM.....	7
4. DETAILS OF PUBLIC OVERSIGHT SYSTEMS IMPLEMENTED	8
4.1 Nomination procedure	8
4.2 Composition (practitioners/non-practitioners)	9
4.3 Scope of activities (quality assurance, standard setting, approval of auditors, discipline, education and others for listed, public interest or other entities).....	10
4.4 Funding	13
4.5 Transparency	14
5. DETAILS OF PUBLIC OVERSIGHT SYSTEMS TO BE IMPLEMENTED SOON.....	15
6. THE PUBLIC OVERSIGHT BOARD'S RESPONSIBILITIES.....	17
7. THE RESPONDENTS' VIEWS ON THE NEED OF A PUBLIC OVERSIGHT SYSTEM.....	19
NOTE: EU DIRECTIVE.....	21

1. INTRODUCTION AND SUMMARY

1.1 Respondents

This survey has been prepared by FCM, the representative organization of the accountancy profession in the Mediterranean area, and the objective of this survey is to provide a brief overlook of public oversight arrangements across the area. 15 countries, of which 8 are EU member states, have contributed, plus Kosovo, a special status territory within Serbia.

1.2 Existing public oversight systems or the implementation in the near future

The Survey poses the question which Mediterranean Countries have an implemented public oversight system and which will see an implementation in the near future.

The answer is that a public oversight system exists in 7 out of the 15 countries which contributed to the survey. A public oversight system exists also in the Kosovo region. Of these 7 countries, 5 are EU member states (France, Greece, Italy, Malta, and Spain) and 2 are non EU member states (Israel and Tunisia).

Of the other 8 countries which do not have a public oversight system:

- 3 are EU member states (Cyprus, Bulgaria and Romania). To comply with the EC Directive on Statutory Audit, these countries would however have to implement a public oversight system.

- Among the remaining 5, only Serbia and Turkey envisage to implement a PO system in the near future, while Albania, Egypt and Morocco do not.

Respondents from Albania and Egypt think that a public oversight system is needed in their countries, while respondents from Morocco indicated that the introduction of such a system would not be needed in the near future, because a “quality control system” has just recently been introduced and members need some time to be trained and used to quality control procedures.

1.3 Details of public oversight systems implemented

The public oversight systems differ significantly among the responding countries, also among those within the EU member states, depending on the regulatory framework for the statutory audit activity (the EU Directive allows for the implementation of a range of different public oversight systems in the European Union¹).

1.4 Nomination procedure and Composition (practitioners/non-practitioners)

In 5 out of 8 countries the public oversight board is nominated by the local governments. In Spain, there is a national law stating the composition of the public oversight board and its members are appointed with consideration of their position in other regulatory bodies such as Stock Exchange, Central Bank, etc.

In France, Greece, Italy, and Spain (within the EU) as well as in the Kosovo region, the public oversight board is composed by a majority of non-practitioners.

In Malta, the public oversight board currently has a majority of practitioners but will change over the next two years to conform to the EU Statutory Audit Directive.

In Tunisia, the public oversight board functions are carried out by two committees: the Discipline Committee with a majority of non practitioners, and the Quality Control Committee, composed equally of civil servants and practitioners.

In Israel, the public oversight board (Steering Committee) is composed by all practitioners.

¹ The EU Directive “requires mutual recognition of these different regulatory arrangements of European Member States, so respecting 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. This also includes the principle of home country quality assurance reviews in the case of a cross-border statutory audit of consolidated accounts or of a company with listings in different EU Member States. This should also address the application of the home country principle for statutory auditors approved in more than one European Member State” [FEE Survey “Quality Assurance Arrangements Across Europe” December 2006, p. 12]

The EU Directive requires that persons involved in the governance of the public oversight system shall be selected in accordance with an independent and transparent nomination procedure. The system of public oversight shall be governed by non-practitioners and only a minority of practitioners could be involved in the governance of the public oversight system (art. 32, n.3).

1.5 Scope of activities and responsibilities

Considering the scope of activities and responsibilities, all respondents stating that a public oversight system exists in their countries mentioned that its functions include monitoring and supervision of the auditing profession and the overall responsibility for the conduct of the profession.

In all countries having a public oversight board in place, the board also has the responsibility to ensure the oversight of the profession through quality control.

Within the EU, France, Italy and Malta's public oversight board approves and registers statutory auditors and audit firms.

This is also a responsibility of the board in the Kosovo region.

Standard setting is a public oversight system responsibility in France, Greece, Spain (within the EU) and in the Kosovo region.

The investigative and disciplinary systems are a public oversight board's responsibility in France, Italy, Malta (within the EU) as well as in the Kosovo region.

According to the EU Directive:

“The system of public oversight shall have the ultimate responsibility for the oversight of:

- (a) The approval and registration of statutory auditors and audit firms,
- (b) The adoption of standards on professional ethics, internal quality control of audit firms and auditing, and
- (c) Continuing education, quality assurance and investigative and disciplinary systems.

The system of public oversight shall have the right, where necessary, to conduct investigations in relation to statutory auditors and audit firms and the right to take appropriate action.” (art. 32, n.4)

1.6 Funding

The public oversight system is entirely publicly funded in France, Italy, and Spain (within the EU), as well as in the Kosovo region. It is entirely professionally funded in Greece (EU) and Tunisia (non EU) and co-funded in Malta (EU).

The EU Directive states that the system of public oversight shall be adequately funded. The funding for the public oversight system shall be secure and free from any undue influence by statutory auditors or audit firms. (art. 32, n. 7)

1.7 Transparency

Half of the countries which have a public oversight system implemented publish some information about sanctions. In France an annual report is issued, available to the public at large, where the results of the yearly reviews are published.

In Malta the public oversight board, as a governmental organ, is subject to full accountability to the public.

In Spain the ICAC does not publish any information either on its program nor the results. Only documents related to technical principles can be made public.

In Tunisia a category of sanctions is published.

The EU Directive requires that the system of public oversight shall be transparent. This shall include the publication of annual work programmes and activity reports (art. 32, n.6).

Member States shall provide that measures taken and penalties imposed on statutory auditors and audit firms are appropriately disclosed to the public (art. 30, n. 3).

1.8 The respondents' views on the need of a public oversight system

All the respondents to the survey, except Morocco and Romania unanimously think that a public oversight system is needed in their country, whether it has yet been implemented or not (France and Italy did not answer this question). The strongest reasons for this being that it will ensure the credibility of audit work as well as the quality of the profession, and that it gives comfort to foreign investors and henceforth increases direct foreign investments. Another strong reason for the need of a public oversight board given by the respondents is that it is advocated by the EU 8th Directive.

2. RESPONDENTS TO THE SURVEY

Albania:	The Albanian Institute of Authorized Chartered Auditors (IEKA)
Bulgaria:	The Institute of Certified Public Accountants in Bulgaria (IDES)
Cyprus:	The Institute of Certified Public Accountants of Cyprus (ICPAC)
Egypt:	The Egyptian Society of Accountants and Auditors (ESAA)
France:	Compagnie Nationale des Commissaires aux Comptes (CNCC)
Greece:	The Institute of Certified Public Accountants of Greece (SOEL)
Italy:	Consiglio Nazionale dei Dottori Commercialisti (CNDC) Consiglio Nazionale dei Ragionieri e Periti Commerciali (CNRPC)
Israel:	The Institute of Certified Public Accountants in Israel (ICPAS)
Malta:	The Malta Institute of Accountants (MIA)
Morocco:	Ordre des Experts Comptables du Maroc (OEC)
Romania:	The Body of Expert and Licensed Accountants of Romania (CECCAR)
Serbia:	Serbian Association of Accountants and Auditors (SAAA)
Kosovo region:	Society of Certified Accountants and Auditors of Kosovo (SCAAK)
Spain:	Consejo General de Colegios de Economistas (CGCE)
Tunisia:	Ordre des Experts Comptables de Tunisie (OECT)
Turkey:	Union of Chambers of Certified Public Accountants of Turkey (TURMOB)

3. MEDITERRANEAN COUNTRIES WHICH HAVE IMPLEMENTED A PUBLIC OVERSIGHT SYSTEM

Q. Has a public oversight system been implemented in your country?

Country	Yes	No	Not yet but will be implemented soon
Albania		x	
Bulgaria			x
Cyprus			x
Egypt		x	
France	x		
Greece	x		
Israel	x		
Italy ¹	x		
Malta	x		
Morocco		x	
Romania		x	
Serbia			x
Kosovo region	x		
Spain	x		
Tunisia	x		
Turkey			x

Notes:

1. In Italy there is a double level of public oversight for statutory auditors: a general level and a specific level. The first one regards the statutory auditors (individual and audit firms) enrolled in the register kept by the Commissione Centrale per i Revisori Contabili, established by Ministero della Giustizia; the second one regards the statutory auditors of listed entities enrolled in a special register kept by Consob.

4. DETAILS OF PUBLIC OVERSIGHT SYSTEMS IMPLEMENTED

4.1 Nomination procedure

France:

The Haut Conseil du Commissariat aux Comptes has been instituted by the Financial Security Law, which created a new article L 821-1 of the Code of Commerce.

The Haut Conseil du Commissariat aux Comptes is a public authority external to the profession. It contributes to a better transparency of the statutory audit profession, and to the reinforcement of its oversight. Appointed by the Ministry of Justice, the Haut Conseil ensures the oversight of the profession, along with the contribution of the Compagnie Nationale des Commissaires aux Comptes.

The Haut Conseil designates specialised consultative commissions. Whenever required, it appoints experts to help prepare its decisions.

Greece:

The President and the two Vice Presidents are appointed by the Minister of Finance and Economy. The Bank of Greece (Central Bank), the Capital Market Committee, the Federations of Greek Industries and Industries of Northern Greece nominate one member each.

Israel:

There is a Steering Committee that consists of 14 certified public accountants, who are also members of the Institute of Certified Public Accountants:

- the chairman of the Steering Committee
- six members representing the five largest firms, one from each firm (these members will be chosen by the steering committee, preferably in co-operation with the firms).
- four members in public practice.
- three members, whose main pursuits are not in public practice (controllers, managing directors, lecturers from academia etc.).

The chairman of the Steering Committee and its members are chosen by the central committee. The chairman and members of the Steering Committee are chosen for a period of three years and they may be chosen for additional terms (maximum of three executive terms).

Italy:

The Commissione Centrale per i Revisori Contabili is composed of 12 members, three of them are practitioners. The practitioners are appointed by the Ministry of Justice; the other members are appointed by other Ministers and delegated by Consob, Banca D'Italia and Assonime.

The Consob is composed by non practitioners and is appointed by the Government.

Kosovo region:

The Special Representative of the UN Secretary-General shall appoint seven members to serve on the board. Of the seven members of the board, one member shall be nominated by the BPK and six members shall be nominated by the Central Fiscal Authority, of whom five shall be representatives from the Kosovo business community and the accounting and auditing professions. The members shall not hold elected public office. The board shall be multiethnic in composition. The members of the board shall be appointed for a term of three years and shall be eligible for reappointment, but shall serve no more than two consecutive terms. However, of the members first appointed following

the entry into force of the present regulation, two members shall be appointed for a term of three years, three members for a term of two years and two members for a term of one year.

Malta:

Nomination is done by the Ministry of Finance.

Spain:

The members of the Advisory Audit Committee (the Spanish POB) are appointed by the Government (Ministry of Economy: by a special body called ICAC).

Tunisia:

The OECT (Ordre des Experts Comptables de Tunisie, that is The Tunisian Institute of Chartered Accountants), founded in 1982 and instituted by law is under the guardianship/administrative supervision of the Ministry of Finance. A representative of the Ministry of Finance sits in all the meetings of the Board of the OECT and report to the Minister of Finance.

4.2 Composition (practitioners/non-practitioners)

France:

The Haut Conseil du Commissariat aux Comptes is composed of 12 members:

- Three judges from the Cour de Cassation, Cour des Comptes and the judicial order, the President being the judge from the Cour de Cassation;
- The President of the AMF (Autorité des Marchés Financiers, former COB) or his representative, one representative from the Ministry of Economy, a university professor specialised in legal, economic or financial matters;
- Three experts in financial and economic matters : two being competent in public issue matters, one being competent in small or medium sized companies or in matters involving associations;
- Three statutory auditors, two of which having knowledge in the statutory audit of companies issuing securities to the public or in donation.

The members are nominated by decree for a period a six years. The H3C is renewable by half every three years.

Greece:

The President and two Vice Presidents are appointed by the Minister of Finance. The Bank of Greece (Central Bank), the Capital Market Committee, the Federations of Greek Industries and Industries of Northern Greece nominate one member each. Total members number of members are hence seven.

Israel:

(See answer 3.2.1.).

Italy:

The Commissione Centrale per i Revisori Contabili is composed of 12 members, three of them are practitioners.

Kosovo:

Of the seven members of the board, five shall be representatives from the Kosovo business community and the accounting and auditing professions.

Malta:

The board currently has a majority of practitioners but will change over the next two years to conform to the Eight Directive of the EU where the number of practitioner has to be in minority.

Spain:

The Advisory Auditing Committee of the Accounting and Auditing Institute is an advisory body chaired by the Chairman of the Institute and composed by the following 13 members appointed by the Ministry of Economy:

- One member proposed by the Tribunal de Cuentas (Public Account Court)
- One member from the “Intervención General del Estado”
- One member from the Ministry of Justice
- One member from the National Bank
- One representative from the CNMV (Stock Exchange Institution) and by an investor analyst
- One member from the “Dirección General de Seguros” (Insurance Department)
- Four members by the Professional Auditing Bodies
- A Professor at University and an expert on auditing and accountancy
- Some other experts on the issue may be invited to participate if needed

Tunisia:

Two committees legally supervise the activities of the Tunisian practitioners:

The "Chambre de Discipline" (Discipline Committee):

- Chaired by a Judge, designated by the Minister of Justice
- Three civil servants, designated by the Minister of Finance
- Three practitioners elected for 3 years at a time.

It is referred to in case of violation of the Code of Conduct and the Internal Rules and Regulations of the profession.

The "Commission de Contrôle" (Quality Control Committee):

- Three civil servants, designated by the Minister of Finance, one of them being the Chairman
- Three practitioners elected for 3 years at a time.

It is responsible for the quality control of the practitioners engaged in statutory audits.

4.3 Scope of activities (quality assurance, standard setting, approval of auditors, discipline, education and others for listed, public interest or other entities)

France:

The legislator has charged the Haut Conseil du Commissariat aux Comptes with two main missions:

- to ensure the oversight of the profession ;
- to check that ethics is duly followed and that the independence of the statutory auditors is duly maintained.

To this end, the Haut Conseil should:

- organise the reviews of the professionals in practice,
- give its opinion to the Minister of Justice on the « Code de déontologie des commissaires aux comptes »,
- gives its opinion to the Minister of Justice on professional standards,
- identify and promote the good professional practices,
- define and supervise the new professional trends and the framework of periodic reviews.

Greece:

Activities include recommendations to the Ministry of Finance on accounting and auditing standards, professional ethics setting, quality control on auditor's work and oversight of the audit profession.

Israel:

Peer review, administrated by the Steering Committee. Its responsibilities are as follows:

- selection and affirmation of certified public accountants who will undertake the review work.
- supervision over the review - timing and frequency of the review, branch offices that are reviewed, considering the need for repeat reviews, etc In deciding on the timing of the review, the steering committee will take into account, inter alia, the periods of work – related pressures at the firms under review.
- receiving the review reports and the preparation of findings. The Steering Committee will consider forwarding its broad findings to every firm and will consider the need to publish its guidelines/clarifications, and if necessary, will forward its recommendations to the Accounting Standards Committee for further attention.
- co-ordination with other bodies, as follows:

Auditors' Council - the Steering Committee will update the Auditors' Council in circumstances where it has uncovered significant violations that were not corrected, and which constitute violations of the Auditors' Law and Regulations.

Securities Authority - the Steering Committee will advise the Securities Authority of every report to the Auditors' Council, as noted above. In addition, the Steering Committee will advise the Securities Authority of any violation (which is not technical in nature) even if it is not a violation that requires a report to the Auditors' Council. In addition, the Steering Committee will update the Securities Authority on a regular basis, at least once per year, on the broad findings that were uncovered during the reviews. This update will be undertaken without noting the identities of the firms involved.

The Securities Authority, for its part, will advise the Steering Committee of any specific matters which, in its opinion, should be included in the review framework.

Italy:

The Commissione Centrale per i Revisori Contabili keeps the statutory auditor's register (including the practical trainer register); it approves the auditors and supervises their activity. It carries out investigation and provides sanctions on the basis of external complain for inadequate execution of the statutory audit. Consob supervises the auditing firms and their activity, verifies their independence and technical adequacy and recommends the auditing standards. The quality assurance carried out by Consob regards the internal quality control system of the audit firm and its client dossier.

Kosovo region:

The board shall be independent in the execution of its responsibilities and functions, subject to the overall authority of the Special Representative of the Secretary-General. It may issue administrative instructions on any matters pertaining to its functions. It shall have the authority to enter into contracts as required to carry out its functions, including employment contracts and contracts for rental accommodation and leasing of equipment. Such contracts shall be in compliance with procurement rules and procedures of the competent governmental authority. The Board shall issue accounting standards in conformity with IAS. The board shall determine which IAS standards apply, taking into consideration the business environment in Kosovo. It shall further issue auditing standards in conformity with ISA and provide technical guidance and information to business organizations concerning accounting and auditing standards issued by it. The board shall establish and issue standards for the technical training for certification of accountants and for the licensing of auditors, as well as having the responsibility for the licensing of auditors.

Malta:

The Accountancy Board (the Regulator and Public Oversight Board) has a wide scope and is responsible for the conduct of the profession in Malta even though it appoints recognised professional bodies to assist it in the execution of its role. For example whilst it remains responsible for CPE, it delegates its administration to the Malta Institute of Accountants.

Spain:

The Advisory Committee has an advisory role on audit issues (standard setting, quality assurance, control and discipline of auditors etc.) The final decision is taken by ICAC.

The Professional bodies recognized by ICAC are responsible for:

- a) To draft, adapt and review audit and ethical standards, as well as the code of professional conduct of its members and to control the compliance with such standards and code, as provided for in the Audit Law and related legislative provisions.
- b) To collaborate with the Institute of Accounting and Auditing (Instituto de Contabilidad y Auditoría de Cuentas, ICAC) in exercising the technical control assigned to the said Institute in the Audit Law. Due to an agreement with ICAC, the professional institute carries out quality control revisions on behalf of ICAC.
- c) To propose to the Institute of Accounting and Auditing (ICAC) that disciplinary procedures be taken against members, in accordance with applicable legislation.
- d) To carry out the corresponding disciplinary procedures against members.
- e) To provide CPE and Access Education, namely:
 - to provide, either directly or through delegation, theoretical training programmes to be approved by the Institute of Accounting and Auditing, and to be mastered by those wishing to become members of the Official Register of Auditors;
 - to establish the standards and procedures to be followed in the practical training of those wishing to become members of the Official Register of Auditors.
- f) To organize the access examination to enter into the Official Register of Auditors. The Examination Board is chaired by the ICAC who has the final decision on the admission of a candidate.
- g) To maintain the professional training of its non-practising members.
- h) To regulate the professional practice of its members, whether this be on an individual basis or through some form of association with auditors or other professionals.

Tunisia:

The Quality Control Committee is responsible for the Peer review of the Tunisian auditors.

But the financial auditor(s) also report to other public oversight bodies:

- *The "Banque Centrale de Tunisie" (The Central Bank) BCT :*

Are forwarded to the BCT:

- The banks auditor(s) report(s) as well as the mid-term audit report and monthly and quarterly statistic data
- The listed entities and issuers audit report(s)
- The audit reports of entities with over 5 million Tunisian dinars (about 3,5 Million USD) of financial debts
- The audit report(s) of consolidated financial statements of entities with over 10 million Tunisian dinars of assets.

- The "Conseil du Marché Financier" (Listed Entities Oversight Board): It supervises the listed entities and is entitled to control the auditors work. Are forwarded to the CMF:

- The listed entities and investment funds audit report(s) : Financial audit reports and Internal Control reports
- The mid-term financial reports of listed entities
- Any "warning report" at any time
- The quarterly statistic data on the activities of the listed entities.

- *The "Comité Général des Assurances" (The supervising body of Insurance Companies) CGA :*

Are forwarded the CGA:

- The audit reports of insurance companies
- A specific financial and statistics report prepared by the auditors
- Mid term audit reviews

Started from 2005, "Loi sur la Sécurité Financière" (The financial Security Act) introduced :

- The joint audit for banks, multi-branch insurances and consolidated financial statements for entities with other 50 million Tunisian dinars of assets
 - The obligation for listed entities to have an "Audit Committee"
 - The requirement for auditors to give an opinion on the Internal Control Procedures of listed entities
 - Etc.
- The State Owned Entities are controlled by several public control structures (Cour des Comptes; CGF etc.) They also have to be audited by a member of the OECT.

4.4 Funding

France:

The Haut Conseil du Commissariat aux Comptes is a public body. It is funded by the Ministry of Justice, and the Minister in charge of the budget. The remuneration of the members of the Haut Conseil has been instituted by decree n° 2003-1121 of November 25, 2003 (published in the Official Journal of the French Republic).

Greece:

The public oversight system in Greece is entirely funded by contributions by the audit firms. These are calculated as a percentage of audit fees.

Israel:

The committee is funded by the audited firms.
The rate is set according to the number and the size of the public companies.

Italy:

Both the public oversight bodies are public, and funded by public resources. The statutory auditors enrolled in the register kept by the Commissione Centrale per i Revisori Contabili have to pay a contribution for the keeping of the register. Also the audit firms enrolled in the special register kept by Consob have to pay a contribution proportional to their revenue.

Kosovo:

The board shall have an annual appropriation from the Kosovo Consolidated Budget that provides honoraria, reasonable expenses and adequate administrative and technical support that shall be no less than the amount appropriated from the previous year's budget.

Malta:

It is funded by the Ministry of Finance. It also levies fees on practitioners.

Spain:

The ICAC is a department of a Ministry and therefore funds come from the General Budget of the State. However, recently a special tax has been issued to finance the quality control of audits.

Tunisia:

The OECT has its own budget levied through membership fees. From this budget, two sub-budgets are allocated to the “Discipline Committee” and the “Quality Control Committee”. The other entities that have the possibility to control and supervise the work of the auditors (Banque Centrale; CMF; CGA etc.) have their own budgets.

4.5 Transparency

France:

The Haut Conseil issues an annual report where one can find the results of its reviews over the year. The report is sent to the Minister of Justice. It can be consulted by the public at large.

Greece:

As a recently established body, no information has yet been published.

Israel:

The committee publishes general information (results).

Italy:

N/A

Kosovo region:

N/A

Malta:

As a governmental organ it is subject too full accountability to the public.

Spain:

The ICAC does not publish any information either on its program nor the results. Only documents related to technical principles can be public.

Tunisia:

The OECT publishes its annual report to its members.
A category of sanctions is published.

5. DETAILS OF PUBLIC OVERSIGHT SYSTEMS TO BE IMPLEMENTED SOON

Q. If your answer to the question raised in 3.1 was "not yet, but will be implemented soon", give details of the way it will work, if available.

Cyprus:

A public oversight system will be introduced in the future to respond to the requirements of EC directives on statutory audit. The details of the way it will work are still under consideration.

Turkey:

The accounting audit oversight system to be established by TÜRMOB will be based on the following key principles:

1. **Objective:** The objective of the Board is to regulate and oversee the independent audit activities to be performed pursuant to laws for both public companies and SMEs in Turkey, and to perform their quality control.
2. **Functions:** Functions of the Board include, approve and complement audit standards; approve and complement rules of professional ethics; register and monitor the professionals to perform independent audits; perform the quality control of accounting audit; in response to complaints filed by related parties or through directly detecting shortcomings and errors, report independent auditors and audit firms to TÜRMOB for their investigation and imposition of sanctions, if necessary; appeal the disciplinary decisions of TÜRMOB and local chambers at the level of Ministry of Finance and courts of law, where necessary; monitor continuous professional training; cooperation with related international organisations.
3. **Membership:** The Board will consist of 7 members including three accounting professionals who are not actively working any more; one member from the capital market; one member from the Banking Regulation and Supervision Agency; one member a former judge and one member an academician. Members will be appointed by TÜRMOB Executive Board upon the approval of President or Prime Minister or Minister of Finance or Minister of Industry and Commerce. Prime Minister may assign his approval power to a Minister
4. **Powers:** Powers of the Board include initiate disciplinary proceedings for the punishment of independent auditors and audit firms; appeal disciplinary sanctions; temporarily suspend their audit activities; review to the audit standards prepared by Turkish Audit Standards Board and the ethical standards prepared by TÜRMOB, request revisions to these standards, where necessary, and then approve and complement them; perform the quality control of independent audit activities and reports; take measures to ensure as high level of quality; monitor the registration and approval of independent audit firms by TÜRMOB and keep their records.
5. **Funding sources:** The funding sources of Turkish Accounting Audit Oversight Board shall be determined by TÜRMOB upon the approval of the approving authority. TÜRMOB shall create a fund under its body for these sources and the sources accumulating in the fund shall be promptly transferred to the accounts of the Board. To meet the expenditures of the Board for the first two years, TÜRMOB shall transfer funds to the Board in the first year in instalments of three months, as the original capital.
6. **Auditing of Budget and Accounts:** The Board shall prepare its budget and forward it to TÜRMOB. If the deductions to be made by TÜRMOB will compromise the Board's autonomy and independence, the Board shall apply to the approving authority to take the necessary measures. Accounts of the Board shall be audited by independent auditors to be appointed by TÜRMOB.

7. **Managers:** Affairs of the Board shall be managed by professional managers and officials within the framework of an organisation chart to be prepared for the Board. Board members shall serve as the decision-making organ. A representative to be selected from amongst Board Chairman and members shall serve as the liaison between the Board and professional managers.

6. THE PUBLIC OVERSIGHT BOARD'S RESPONSIBILITIES

Q. In your country, is the public oversight board ultimately responsible for standard setting and endorsement of standards as well as for quality assurance enforcement and disciplinary measures and sanctions?

France:

According to the sixth paragraph of Article L. 821-1 of Code of Commerce, the Ministry of Justice can require the Haut Conseil to give its opinion on the CNCC professional audit standards. The Haut Conseil has two months to deliver its opinion.

The Haut Conseil is the jurisdiction of appeal on disciplinary matters and registration. It gives its opinion on the registration of the statutory auditor under the conditions mentioned in chapter 2, title 1 of the decree n° 2003-1121 of November 25, 2003.

Greece:

The Greek oversight board is responsible for standard setting and quality assurance but not for disciplinary measures. The latter is the responsibility of a Disciplinary Committee under the auspices of the Ministry of Finance.

Israel:

Peer review. See answer 3.2.1.

Italy:

The auditing national standard setters are Consiglio Nazionale dei Dottori Commercialisti and Consiglio Nazionale dei Ragionieri.

Consob requires the audit firms enrolled in its special register to carry out statutory audits in accordance with the auditing national standard issue by CNCD and CNR, while the Commissione Centrale per i Revisori Contabili does not require it yet. However CNDC and CNR require the practitioners enrolled in their registers (that are usually enrolled also in the register kept by Commissione Centrale per i Revisori Contabili) to apply these standards. In Italy only the audit firms enrolled in the special register kept by Consob are subject to a quality assurance system. The Commissione Centrale per i Revisori Contabili does not provide a quality assurance system. However, currently CNDC and CNR are working on a document of reference for the Parliament in view of a future legislation on this matter, in accordance with the Recommendation on Quality Assurance for the Statutory Audit in the EU.

Kosovo region:

According to existing law, the board's ultimate responsibility is standard setting, certification of accountants and licensing auditors.

Malta:

The Accountancy Board is responsible for standard setting and endorsement of standards albeit that in Malta our legislation adopts full IAS/IFRS and ISA. Through the Quality Assurance Oversight Board it is conduct Quality Assurance which is currently being set up for commencement later on this year. The Board is also responsible for disciplinary measures and it is currently drawing up a new directive of discipline.

Cyprus:

Not yet decided but we anticipate that these functions will be delegated to ICPAC.

Serbia:

N/A

Spain:

Yes.

Tunisia:

The ISA (IAASB-IFAC) have been adopted by the OECT and they constitute the auditing framework for the profession. They are adopted nationally.

The Conseil National de la Comptabilité (CNC) establishes and adopts accounting standards.

It has about 40 members: auditors; representatives of banks, insurances; financial directors of big entities; researchers at the university etc.

The Minister of Finance is the President of the CNC.

7. THE RESPONDENTS' VIEWS ON THE NEED OF A PUBLIC OVERSIGHT SYSTEM

Country	We think that a public oversight system is needed in our country.
Albania	Yes
Bulgaria	Yes
Cyprus	Yes
Egypt	Yes
France	N/A
Greece	Yes
Israel	Yes
Italy	N/A
Malta	Yes
Morocco	No
Romania	No
Serbia	Yes
Kosovo region	Yes
Spain	Yes
Tunisia	Yes
Turkey	Yes

Q. Why?

Albania:

Because it will be responsible for supervising audit profession especially for the audit engagements of big-size entities such as banks and insurance and reinsurance companies, and other entities as well. It will be entitled to guarantee the quality assurance for the audit work.

Bulgaria:

Because it will contribute to the increase of the quality of the profession. It will give more comfort to foreign investors and thus will increase the investments of the country.

Cyprus:

Because it is a requirement of the new 8th EU directive.

Egypt:

To enhance the profession as a whole and to enhance the quality of the auditing firms.

Greece:

Yes, because it is imposed by the EU 8th Directive.

Kosovo region*:

Although for the time being there are no listed companies in Kosovo, we believe that a public oversight system will insure robust financial reporting system. It will monitor compliance with the IFRS by setting requirements for education of professional accountants and by setting rules for investigation and discipline and quality control. Strong public oversight system is a precondition for future foreign investments in Kosovo and prosperity of economy as a whole.

*Please note that we are waiting for approval from the Kosovo Parliament of the new law on the board and financial reporting which will be in compliance with International Standards and EU Directives including quality assurance, education requirements and discipline and investigation.

Malta:

As an EU Country it is a requirement of the Eight Directive to have a public oversight system. Moreover traditionally our country has been a location for foreign investment which is often related to public companies. Public oversight is developed and being revamped on a global basis. Accordingly the audits of parent companies investing in Malta are often subject to public oversight and so would be the audits of their subsidiaries or related companies in Malta. In the absence of a recognised public oversight system in Malta the local audit profession will be subjected to Oversight from other countries' authorities. The absence of public oversight would have an impact on the attractiveness of the country to foreign direct investment. Generally we believe that a public oversight system is necessary for the enhancement of the public confidence in auditing especially when it involves public companies, public interest companies, financial services companies and companies in other sensitive sectors.

Morocco:

Because our Institute has just introduced a quality control of its members and our members need some time to be trained and used to quality control procedures. Considering this, we may think of introducing such a body in our professional "landscape" at the appropriate time and when this proves to be useful.

Serbia:

Because a proper public oversight is very important for credibility and confidence in financial reports, audit reports, and, in the information relative for capital markets.

Spain:

We think that a public oversight system is needed as a control but the different professional bodies should have more possibilities to participate.

Turkey:

Because it will ensure the public confidence in the quality of audit on financial statements. It will also contribute to the transparency and independence of the profession.

Tunisia:

There is a common shared view among Tunisian Practitioners that if an oversight board is created to federate the existing bodies (OECT; CMF; BCT; CGA etc.), the profession should be strongly represented.

NB: There is a second Tier Institute (of Accountants and not Chartered Accountants) instituted by law three years ago. It is in a process of organizing its activities, operating modes etc.

NOTE: EU DIRECTIVE

**DIRECTIVE 2006/43/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 17 May 2006
on statutory audits of annual accounts and consolidated accounts,
amending Council Directives 78/660/EEC and 83/349/EEC
and repealing Council Directive 84/253/EEC
adopted on 17 May 2006 by the Council of Ministers of the EU3**

The adoption will be followed by an implementation period of 24 months during which European Union Member States are responsible for implementing the provisions of the Statutory Audit Directive.

CHAPTER VIII

PUBLIC OVERSIGHT AND REGULATORY ARRANGEMENTS BETWEEN MEMBER STATES

Article 32

Principles of public oversight

1. Member States shall organize an effective system of public oversight for statutory auditors and audit firms based on the principles set out in paragraphs 2 to 7.
2. All statutory auditors and audit firms shall be subject to public oversight.
3. The system of public oversight shall be governed by nonpractitioners who are knowledgeable 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 shall be selected in accordance with an independent and transparent nomination procedure.
4. The system of public oversight shall have the ultimate responsibility for the oversight of:
 - (a) the approval and registration of statutory auditors and audit firms;
 - (b) the adoption of standards on professional ethics, internal quality control of audit firms and auditing, and
 - (c) continuing education, quality assurance and investigative and disciplinary systems.
5. The system of public oversight shall have the right, where necessary, to conduct investigations in relation to statutory auditors and audit firms and the right to take appropriate action.
6. The system of public oversight shall be transparent. This shall include the publication of annual work programmes and activity reports.
7. The system of public oversight shall be adequately funded. The funding for the public oversight system shall be secure and free from any undue influence by statutory auditors or audit firms.

Article 33

Cooperation between public oversight systems at Community level

Member States shall ensure that regulatory arrangements for public oversight systems permit effective cooperation at Community level in respect of Member States' oversight activities.

To that end, each Member State shall make one entity specifically responsible for ensuring that cooperation.

Article 34

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.

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, professional 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 a Member State other than that in which that company has its registered office, the Member State in which the securities are traded may not impose any additional requirements in relation to the statutory audit concerning registration, quality assurance review, auditing standards, professional ethics and independence on a statutory auditor or audit firm carrying out the statutory audit of the annual or consolidated accounts of that company.

See more:

http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_157/l_15720060609en00870107.pdf

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