

TERMS OF REFERENCE

Audit Working Group (AWG) Permanent Group of the Corporate Reporting Standing Committee

Background

1. The ESMA Regulation¹ states that ESMA shall act among others within the scope of Directive 2004/109/EC (the Transparency Directive) and in the field of activities of market participants in relation to issues not directly covered in that Directive including auditing and financial reporting, provided that such actions are necessary to ensure the effective and consistent application of Union Law in the area of ESMA's competences.
2. Regulation No 537/2014 on specific requirements regarding statutory audit of public interest entities² introduces stricter requirements on statutory audits on those entities and establishes the foundations for cooperation among audit oversight bodies in the EU as well as with the European supervisory authorities (ESAs). Such cooperation will be organised within the framework of the Committee of European Auditing Oversight Bodies (CEAOB). ESMA will be a member, without voting rights, of this Committee and will contribute by providing the securities regulator perspective.
3. Within ESMA, the Corporate Reporting Standing Committee (CRSC) contributes to ESMA's work on issues related to accounting, audit, periodic reporting and storage of regulated information. The Audit Working Group (AWG) will be forming common positions among securities regulators and agreeing on the contributions to be provided to the CEOB.
4. The terms of reference for AWG are set out below, and are to be read together with the terms of reference of the CRSC (Ref. ESMA/2013/43rev) and the 'Procedures for ESMA groups' (ESMA/2011/236rev2). The AWG is established as a permanent subgroup under the auspices of the CRSC, it is accountable and will report the results of its activities to the CRSC.

¹ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority) amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC

² Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC

Objective

5. The main objective of the AWG is to assist ESMA in providing the securities regulator perspective on matters related to auditing from not only an accounting perspective but also other perspectives from closely related areas such as accounting enforcement and corporate finance.

Main functions

6. The main areas of focus will be contributing to issues related to audit in relation to the application of Regulation No 537/2014 on specific requirements regarding statutory audit of public interest entities. This might include, among others, the following areas:
 - Identification, analysis and discussion of topics relevant to securities markets;
 - Identification, analysis and discussion of areas of common interest for accounting enforcers and audit oversight bodies;
 - Contribute to the CEAOB's discussions providing a securities regulators view on various matters;
 - Contribute to the implementation and application of the Regulation No 537/2014, providing a securities regulator view where the CEAOB adopts guidelines and opinions;
 - Contribute to the technical examination of the international auditing standards (ISAs) which are significantly important for corporate reporting, providing views related to the impact on capital markets from a securities markets perspective. Such contributions might be addressed to the CEAOB and/or the standard-setting body (the International Auditing and Assurance Standards Board - IAASB);
 - Contribute, from a securities regulator perspective, to the European Commission's report on monitoring market quality and competition in the provision of statutory audit services to public interest entities.

Structure, composition and working procedures

7. The AWG will act as a forum in which members exchange views and discuss audit issues in order to achieve common views and agree on contributions to be provided to the CEAOB.
8. In line with the procedures for ESMA groups, Board Members are entitled to nominate a representative interested in actively participating in the Audit Working Group.
9. ESMA staff will provide support to the work of the AWG and will facilitate the coordination between the group and other ESMA groups, and in particular the European Enforcers Co-ordination Sessions (EECS).
10. The AWG is expected to meet 3 times a year but may decide to meet more or less frequently depending on the circumstances.