

Some comments on CP56 received from one of our members.

1. The chairman of the Audit Committee should be present at all meetings between the Central Bank and the External Auditors; at least one representative from the board of the regulated should be in attendance.
2. Minutes of the meetings should be taken and circulated to the attendees, including the chairman of the audit committee.
3. There should be a formal agenda which should only include items connected with and arising from the statutory duties of (i) the Central Bank, (ii) the External Auditors and (iii) the regulated entity.
4. The Central Bank should clarify the possible overlap between the Corporate Governance Code and the CP56. The Code requires directors to notify the Central Bank of any material breaches of the Code within 5 working days. It is possible that the external auditors may end up discussing the same issues with the Central Bank.
5. The Protocol must be based on and delineated by the statutory obligations of the Central Bank, the External Auditors and Regulated Entities. There is the risk that the meetings could degenerate into "talking and gossip shops" without due recognition of legal obligations of all parties.
6. It seems that the Central Bank are placing an ever increasing burden on independent non-executive directors and the chairman of the committees;
7. The proposed protocol could create a climate of mistrust; the law of unintended consequences if implemented in its present form.
8. There is the cost issue; these meetings will take time to prepare, to attend and track follow up action. Another layer of costs which will fall on the regulated entity and ultimately on customers;
9. CP 56 as currently drafted will extend the remit of external auditors to form a true and fair view of the financial statements. It will require external auditors to form further opinions on strategy, risk implementation and sustainability of the regulated entity.

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