

Governance, Accounting and Auditing Policy Division
Policy and Risk Directorate
Central Bank of Ireland
PO Box 559
College Green
Dublin 2

23 September 2011

Dear Sir

Consultation Paper 56

I refer to your recently issued Consultation Paper 56: Protocol between the Central Bank of Ireland and the Auditors of Regulated Financial Service Providers – ‘The Auditor Protocol’. Mazars wishes to express itself, in the first instance, as being broadly supportive of the proposed initiative. We note that in putting forward this Consultation Paper, the Central Bank of Ireland is proposing a practice which has been beneficially applied in other jurisdictions in Europe, and which in our view contributes to the resilience of the supervision process and, as a consequence, to the successful operation of financial services businesses in those jurisdictions.

There are a number of issues relevant to the implementation of the proposed scheme which we would like to bring to the attention of the Central Bank of Ireland. These are described in the following paragraphs.

1. We believe that a trilateral process is more appropriate, in the majority of cases, than a bilateral process. We do not propose that the Central Bank of Ireland or, indeed, audit firms, be precluded from seeking bilateral meetings in certain circumstances. We would, however, suggest that these should not be the norm and that the Trilateral format offers greater opportunity for in depth discussion of relevant issues in an open and efficient manner.
2. It is Mazars view that the scope of such meetings needs to be carefully considered from two perspectives. In the first instance we consider that the arrangement and scoping of meetings needs to be handled in a manner which is fair to regulated firms and conducive to the development of a positive regulatory relationship. We also consider that the auditor must consider the potential implications of making available or receiving information which

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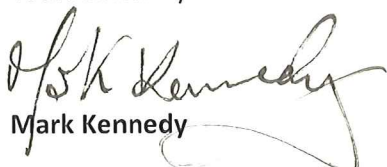
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is material to the audit opinion and consequently may require to be disclosed to shareholders or other stakeholders. We note that the Consultation Paper proposes that the protocol for meetings will be considered jointly with the Institute of Chartered Accountants in Ireland and we welcome this suggestion.

3. We consider that the scope of meetings should be, in the ordinary course, confined to matters of fact rather than matters of opinion. In this regard we have concern not only for those matters on which an auditor may be required to express an opinion in the Statutory Audit role, but also for matters of opinion relating to business matters. We note in this context that the Auditor may not enjoy the legal protections traditionally afforded to Directors in matters of business judgement and, accordingly, it may not be appropriate for the auditor to express opinions on issues even in a confidential setting.
4. We would like the agreed protocol for such meetings to address the making available of information to other Regulators, including but not limited to the College of Regulators where a regulated firm has operations in more than one country.
5. Mazars would welcome clarification in relation to the question of materiality of information, as referred to in Paragraph 5 of the Consultation Paper. What represents material information from an audit perspective may differ from that considered material to supervisory purposes, and we believe that attention needs to be given to a definition of what constitutes material information.
6. We have some concern that the proposal that the auditor provide information in respect of materiality at the pre-audit meeting may conflict with the requirements of International Auditing Standards which preclude the auditor from providing information to the regulated firm in respect of the application of materiality in the audit approach and accordingly believe that the scope of this aspect of discussions should be carefully delineated.
7. We would also ask that the suggestion that the Central Bank of Ireland would seek information in respect of the application of auditor scepticism be further explained.

In closing I would like to reiterate our support for an increased level of engagement between auditors and the Regulatory Authority and our belief that structured and regular meetings between the auditor, the Central Bank of Ireland and the regulated firm is an appropriate forum for such engagement. We note that information sharing does not replace the gathering of appropriate evidence in support of either regulatory or audit opinions and accordingly would suggest that the scope and structure of such meetings should facilitate the fair, transparent and efficient sharing of information.

Yours sincerely



Mark Kennedy

Partner

Mazars