

AccountancyAge

Audit reform aboard the slow train of Europe

by Richard Crump

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MEPs' TASKED with reforming the audit market will now vote on the controversial proposals in March, with the full European parliament expected to vote on the matter in June. But I won't be holding my breath.

Major market reforms are invariably beset by delays - just look at Solvency II. The controversial new capital rules for Europe's insurers are already years behind schedule, while political stagnation means there is no clear timetable for the framework's implementation. Expect Europe's planned reform of the audit market to follow a similar trajectory.

OK, so the delays haven't been quite as stunning as the highly-complex insurance framework, but I still expect more delays to be in the pipeline.

A recent meeting of the EU's legal affair committee (JURI) revealed how opinion - often divided by political persuasion - is some way away from a workable consensus. Among the bones of contention was the matter of whether the new rules - which could see mandatory rotation imposed on auditors - should be introduced as a directive or regulation. The thorny issue of rotation itself is still far from resolved.

The difference between directives and regulations may sound like technocrat speak, but is proving divisive as politicians argue whether the rules should be addressed to member states rather than their citizens.

Nor are the reforms likely to make much headway if the infrequent JURI meetings on the subject are punctuated by verbal punch-ups, regardless of the wit on display. For instance, Spanish MEP Antonio Masip Hidalgo, who criticised the committee as turning into the "slow train of Europe" urged the reforms to "come out strongly in favour" of controlling the Big Four and "the monopoly they have".

Illustrating his point on the low esteem to which auditors have sunk, Hidalgo brandished a Spanish newspaper and cited a cartoonist that had lampooned a number of auditors who each claimed that "2+2=5".

Sajjad Karim, the Conservative MEP and rapporteur steering the reforms through parliament - a thankless task if ever there was one - spat back that "today's paper is tomorrow's fish and chip wrapping".

Humorous their verbal jousting may be, but a worthwhile debate on how to reform the audit market it is not.

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