

AccountancyAge

US accountants applaud mandatory audit rotation block

by Richard Crump

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ACCOUNTANTS IN THE US have welcomed the passage of a bill that will prevent public companies from being forced to rotate their auditors.

On Monday, the House of Representatives approved the Audit Integrity and Job Protection Act, which prohibits the Public Company Accounting Oversight Board (PCAOB) from requiring listed companies to change auditors.

The bill, introduced in April, was drafted in response to a PCAOB concept paper released in August 2011 that suggested mandatory rotation was needed to improve

auditor independence.

According to American institute AICPA, the decision has sent regulators in the US and Europe - where plans to impose mandatory rotation are also being considered - a "clear message that the time has come to end the debate over rotation".

"In Europe, there is a misimpression that the continued consideration of the PCAOB's concept release means that the US is headed toward adoption of a mandatory firm rotation requirement," said Barry Melancon, president and CEO of AICPA. "[The] House vote will go a long way toward alleviating confusion and uncertainty for policy makers and stakeholders on both sides of the Atlantic."

The UK Competition Commission is currently considering ways to break the Big Four's dominance of the FTSE 100 audit market after an investigation found that a lack of competition had led to higher prices and poorer lower quality audits.

However, the profession has rallied against plans to impose auditor rotation, arguing that it will damage competition and that it would better to adopt the comply or explain approach to audit tendering championed by the FRC.

Nevertheless, pressure from regulators and politicians has resulted in a shift in attitude among large corporates with Land Securities, BG Group and Iberia all recently replacing long-standing incumbent auditors.

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