

AccountancyAge

FRC consults on EU audit directive and regulation

by Chris Warmoll

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FEEDBACK is being sought by the [Financial Reporting Council](#) on a number of proposed changes to the EU Audit Directive and Regulation.

Key areas up for specific debate are organisations not covered by the definition of Public Interest Entities (PIEs) as the EU definition differs to FRC auditing and ethical standards requirements.

Another potential bone of contention surrounds non-audit services where the regulation forbids the provision of certain non-audit services by

auditors of PIEs through a 'black list' and places a limit on permitted services.

The FRC [consultation](#), published today, seeks views on whether limits on non-audit services to PIEs or their controlled entities in Europe should apply to all audited group entities, irrespective of their geographical location.

Stephen Haddrill, chief executive of the FRC, said: "The FRC will consider the effect of the directive and regulation to ensure that its auditing and ethical standards play their part in ensuring that the roles and responsibilities of auditors are clear and aligned with the interests and needs of investors, and that auditors act with integrity, serve the public interest and consistently meet high standards.

"The new provisions are complex and we have significant decisions to take about how to reshape the UK regime. We therefore hope to hear from all stakeholders, and particularly from investors as the leading beneficiaries of high quality audit."

Concerns have grown ever since May 2014 when the European Commission published its new Audit Directive and Audit Regulation, setting out the ground rules for the audit of annual consolidated financial statements and a raft of additional requirements for PIE audits.

The new requirements come into effect on 17 June 2016 apply to financial years kicking in on that date.

The FRC said it will consult on specific changes to its standards during 2015, taking into account responses received to the initial consultation. The closing date is 20 March 2015.

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