

# AccountancyAge

## Interview: MEP Sharon Bowles, advocate for audit change

by [Jeremy Woolfe](#)

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**WITH A SET OF NEW RULES** that could shake the entire audit sector expected to emerge from the European Parliament sometime early this year, a word or two from an individual in Brussels with more influence than many could well be worth taking into account.

The person concerned is British MEP, Sharon Bowles, chair of the European Parliament's influential Economic and Monetary Affairs Committee. The committee is a major agenda-setter across key financial aspects of European policy.

The committee's remit covers taxation, competition policy, the free movement of capital and the regulation of financial services. This includes banks, insurance, pension funds and other asset funds. In other words, its work is at the centre of the parliament's efforts on following up on the economic and financial crisis.

Bowles, who studied chemical physics with mathematics at Reading University, and carried out research into semiconductors at Oxford University, followed this by running a business as a patent attorney. She was first elected to the European Parliament in 2005, and re-elected in June 2009. Recently, she was among the five-strong shortlist of candidates to take over from Sir Mervyn King as governor of the Bank of England.

More to the point, in the case of the proposed regulation that could bring sweeping changes to audit practice across the EU, Bowles is a member of the politically centrist ALDE, or Liberal, party. This is relevant because this party holds the balance between the "light touch" centre-rights and an alliance of socialists and greens, which have been gunning for the most stringent revisions.

The left side more or less supports proposals put forward earlier this year by the European Commission, with views about radically revising the existing Statutory Audit Directive, published in mid-2006, for an implementation deadline that should have been in full force by June 2008.

Speaking to *Accountancy Age*, Bowles comes across as easy-going, open-minded and imbued with the common touch. There are no airs and graces.

So what precisely is her view on audit reform? Her basic position is to promote investor protection. She sees the need "to restore trust".

"Basically, we can't allow the continuation of wishy-washy statements in company reports," she says, adding that "auditors have got to state, one way or another, that the entity is a going concern, or not".

Recent reports have flagged up her "concern about the level of governance infiltration by the Big Four".

Down to the nitty-gritty, such as mandatory rotation – remember, as a committee chairwoman, she has to take a relatively neutral attitude – she is a pragmatist at heart. Nevertheless, on rotation she admits: "It's true; it's a bit of a battle." Here, her personal wish would be for an auditor's maximum service limit with one entity of 14 years, during which there would have to be at least one interim tender process.

This compares with the commission's equivalent of a six-year maximum, and the 25 years proposed by MEP Sajjad Karim, the rapporteur coordinating the legislation in the parliament's Legal Affairs committee – he is 22nd in *Accountancy Age*'s [2013 Financial Power List](#) of the most influential figures in the profession. This committee (the "Juri" committee) is the main coordinator of the proposed regulation.

For limits on non-audit services, which the commission would ban, Bowles' direction would be to push this work to other firms. This could be done through a set threshold limiting this share of work, as well as a tender process.

Details of Bowles' views are reflected in amendments formally put forward to the legislative text. For example, she proposes that the auditor should include in its report "any significant deficiencies in the internal control system of the audited entity; how they addressed significant difficulties encountered during the audit, and other matters arising from the statutory audit that in the statutory auditor's or audit firm's professional judgment are significant to the financial reporting process".

Other instances gleaned from technical amendments make it clear that she promotes to the forefront the powers and interests of the audit committee. She suggests that members of this committee shall take part in "skill enhancement programmes in order to ensure an adequate technical knowledge level to fulfil their tasks".

The likely programme for the regulation will be a vote in her committee in January. The Legal Affairs Committee could vote in February. Whatever comes out of that should clear through plenary and go on to the council, where the national governments are said to have markedly conflicting views. What happens then is less clear, with the UK, for example, reputedly against mandating a rotation period at all.

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