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## Non-audit remains "point for discussion" within Europe

by Rachael Singh

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**THE MEP RESPONSIBLE** for European proposals to reform audit has claimed the Competition Commission report backs up his opinion that the status quo of the market cannot remain the same, though non-audit services remains a contentious point.

In its provisional report the Competition Commission (CC) found that competition for audit engagements in the FTSE 350 is restricted, and may require remedies to open up the market to a greater number of players. These include mandatory tendering, mandatory firm rotation, improved engagement by shareholders and a greater role for audit committees.

The report accused auditors of focusing on satisfying management interests over those of shareholders, which was expectedly, refuted by the Big Four firms.

However, the Competition Commission failed to mention any suggested changes to non-audit services and fees, which has been cause for concern in Europe.

"The provision of non-audit services remains a point for discussion at the European level; however we agree with the CC that introducing unnecessary restrictions based around fees would harm not help the market for audit services," Sajjad Karim, who is currently drafting legislation aimed at reforming audit standards across the European member states, told *Accountancy Age*.

"The consensus building in Parliament is to find a solution which responds to the concerns about independence when certain services are provided, but also recognises that in a number of areas the auditor may be the best placed to provide certain advice."

The EU proposals, initially tabled by internal markets commissioner Michel Barnier, were expected to be voted on by European Parliament in February, however it was delayed until June with many claiming the delay was to ensure the Competition Commission findings were published first.

"The Competition Commission's report confirms my view that the status quo is not an option. Audit requires substantial reform across the European Union to open the market and to provide a greater role for shareholders and investors," said Karim.

"Addressing the lack of competition in the audit market is a matter for competition authorities rather than EU legislators. However, the measures that we adopt on audit quality are bound to affect the market."

"It is reassuring that the suggestions to be considered by the Competition Commission mirror many of the positive changes included in my proposals which will improve the role of audit committees, the standing of shareholders and the functioning of the audit market in general."

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