

AccountancyAge

EU committee votes for seven-year auditor tendering

by Jeremy Woolfe

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REGULAR TENDERING for audit appointments once every seven years has been voted by the European Parliament's Economic and Monetary Affairs Committee (Econ) meeting in Strasbourg. This is in place of the Commission's originally proposals for mandatory rotation after six years (nine years if a Big Four firm were to work with together with a smaller auditor firm).

The Econ position is subject to final approval by the lead committee on audit reform, the Legal Affairs Committee (Juri), which has now delayed any decision on rotation, and, indeed, on its overall position,

until April, probably late in the month.

In a press release, Dr Kay Swinburne, the Econ rapporteur (legislation coordinator (pictured)) on the package, refers to the Econ committee: "Responding to concerns about the negative effects that mandatory rotation of audit companies, [Econ has] adopted a proposal to introduce regular tendering for audit appointments every seven years".

Moreover, the British Conservative MEP continues that the committee's process for the appointment of auditors would have to contain provisions that the audit committee "must show that it has considered [at least] two candidates and give justified reasons for its choice of one of them".

In addition, a national competent authority (NCA) would be able to veto the choice of auditor, and shareholders would have to approve the appointment. Joint audit would be allowed at member states' discretion, but would not be "incentivised".

Econ has also decided to propose that the Regulation on the table be transformed into a Directive. This would allow for "more discretion" to be shown by member states as to "how they apply these new rules", according to Dr Swinburn's press release.

In most zones, including rotation, Econ's position could be ignored by Juri MEPs, but they are unlikely not to be influenced by it. Econ does have shared competence on Article 10, on the provision of non-audit services by audit firms. Here, it would permit non-audit services, but any decision would be up to a company's audit committee, and the service would have to be put up to tender.

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