

AccountancyAge

EU moves close to imposing mandatory auditor rotation

by Richard Crump

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THE EUROPEAN UNION edged closer to imposing mandatory rotation on auditors after member states reached an agreement to open talks with the European Parliament.

In a package of measures agreed last week, ambassadors of EU member states gave their support to capping non-audit fees and forcing [companies](#) to switch auditors every 20 years.

According to a report by *Reuters*, banks and other systemically important companies will be required to change their auditors at least once every 15 years.

All other companies would be forced to rotate every 20 years, an unnamed diplomat told *Reuters*.

Member states also agreed to cap the fees accountants can earn from providing non-audit [services](#) to their audit clients at 70% of the audit fees.

A separate source suggested that member states and parliament "are not a million miles away" from hammering out a deal.

If passed, the final law will mark a significant dilution from original proposals laid down by internal market commissioner Michel Barnier that had called for a six year rotation period.

Reforms in the UK are already well underway with the FRC already requiring companies put their audits up for tender every ten years, while the Competition Commission is due to publish its [final recommendations](#) on changing the audit market later this month.

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