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No to compulsory auditing committees

European auditors and audit firms will be required to prove their independence from the management of the audited company. MEPs backed on Wednesday the Commission's proposal to broaden current EU auditing legislation by setting up a system for public oversight and by enhancing cooperation between Member States' authorities. The new legislative text also requires the application of the International Auditing Standards (IAS) in European auditing.

By approving the first-reading report by Bert **DOORN (**EPP-ED, NL), Parliament sought to increase auditing quality and regain public trust in the auditing profession, in response to past financial scandals. MEPs adopted a more flexible approach than the Commission and gave Member States more room to adapt the directive to their national standards. During the debate on Monday, Mr Doorn said: *"Corporate governance should be negotiated in the Member States and there is no need for a single EU rule*".

Particularly, the Parliament criticised the Commission proposal that all publicly listed companies must have a separate audit committee to supervise financial reporting procedures. MEPs claimed the provision could charge companies with excessive financial and administrative burden. The approved amendments give Member States the possibility to determine the way in which firms are to supervise their internal audit reporting.

Another controversial issue was the obligation for a public interest company to change auditors every five years and audit firm every seven, the so-called rotation. The approved amendment requires rotation, every seven years, only for key audit partner/statutory auditor, and not for the audit firms. The compulsory rotation of audit firms was criticised by the rapporteur as not necessary.

Finally, a compromise was reached on the issue of auditors' liability. The approved text asks the Commission to present an impact study on current national liability rules and an analysis on the possible limitations of the financial liability in the auditing profession.

The approved text was the result of informal negotiations between the rapporteur, the Commission and the Council in the view of a first reading adoption. Member States will have two years to implement the provisions, after the entry into force of the directive.

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