

# MEDIA STATEMENT



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores

IOSCO/MS/10/2009

Madrid, 18 September 2009

## **IOSCO consults on auditor transparency, communication and ownership structures**

The International Organization of Securities Commission (IOSCO) Technical Committee has launched three related consultation reports prepared by its Task Force on Audit Services on the [Transparency of Firms that Audit Public Companies](#); [Auditor Communications](#) and [Exploration of Non-Professional Ownership Structures for Audit Firms](#).

The Technical Committee is seeking input from investors, audit oversight authorities, industry and other relevant stakeholders on these three reports.

The closing date for responses is 1 December 2009.

### **Summary**

The Technical Committee's Task Force on Audit Services (Task Force) announced in May 2008 its intention to expand the scope of its work to look at a number of audit services related issues, in response to concerns raised by participants at a roundtable on the *Quality of Public Company Audits from a Regulatory Perspective* in June 2007. These issues included: the transparency of audit firms and the effect this could have on the quality of audits and the availability and delivery of audit services; the adequacy of the standard audit report; and the impact of audit firm ownership structure on concentration in the market for auditing large issuers.

### ***Transparency of firms that audit public companies***

In the first paper, the Task Force explores whether enhancing the transparency of audit firms' governance, audit quality indicators and audited financial statements could maintain and improve audit quality and the availability and delivery of audit services.

The paper considers the benefits and possible disadvantages of enhanced transparency, while also examining alternative methods of achieving enhanced transparency and ways in which to mitigate any potential limitations arising from increased transparency.

# MEDIA STATEMENT



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores

## ***Auditor Communication***

In order to address concerns about the effectiveness of the standard audit report in communicating important information about the audit and audit process, the second paper considers whether changes to the standard audit report or additional auditor communications are warranted to meet investor information needs. The consultation paper:

- highlights the evolution of the audit report;
- describes perceived shortcomings of the report observed by others;
- identifies possible solutions to these issues proffered by others; and
- notes possible advantages and disadvantages of such solutions.

## ***Exploration of Non-Professional Ownership Structures for Audit Firms***

The third paper focuses on the impact of audit firm ownership restrictions on concentration in the market for auditing large issuers, but the Task Force recognizes that the ultimate strategy for reducing concentration may need to address several barriers to entry (and any related solutions) together.

The paper describes the current state of audit firm concentration in the market for auditing large public companies, including its impact on the availability of audit services. The paper explores the potential benefits for audit service availability of removing ownership restrictions and discusses the adverse impact that removing ownership restrictions may have on audit firm competence, professionalism, independence, and audit quality. The paper also considers the pros and cons of authorizing alternative forms of audit firm ownership and governance.

## **MEDIA ENQUIRIES**

David Cliffe  
Outside office hours  
Email:  
Website:

+ 34 91 787 0419  
+ 34 679 969 004  
[d.cliffe@iosco.org](mailto:d.cliffe@iosco.org)  
[www.iosco.org](http://www.iosco.org)