

8TH COMPANY LAW DIRECTIVE ON STATUTORY AUDIT – VOTE IN EP PLENARY

28 SEPTEMBER 2005

The European Parliament votes in favour of the Commission proposals for the 8th Company Law Directive on statutory audit

The European Commission has welcomed the European Parliament's approval at first reading of the proposed 8th Company Law Directive on statutory audit of annual accounts and consolidated accounts, which amends Council Directives 78/660/EEC and 83/349/EEC. Its objectives are to restore credibility of financial reporting and to enhance the EU's protection against the type of scandals that occurred in the past at companies such as Parmalat and Ahold. Final agreement on the Directive is expected at the ECOFIN Council in November.

Internal Market and Services Commissioner Charlie McCreevy said: "Statutory audit is a very important subject for Europe. Recent scandals highlighted the need to reply to new challenges. In order to modernise statutory audit, this directive will clarify the duties of statutory auditors, their independence and their ethics. It will also require the application of international standards on auditing and will set the criteria for robust public oversight of the audit profession. It is very important for business and for everybody that people have confidence in the profession, in its independence and standards".

The new 8th Company Law Directive on statutory audit aims at reinforcing and harmonising the statutory audit function throughout the EU. It sets out principles for public supervision in all Member States. It also introduces a requirement for external quality assurance and clarifies the duties of statutory auditors.

Moreover, sound and harmonised principles of independence applicable to all statutory auditors through the EU have been defined.

The Directive further improves the independence of auditors by requiring listed companies to set up an audit committee (or a similar body) with clear functions to perform. It also foresees the use of international standards on auditing for all statutory audits conducted in the EU. Adoption of these standards will be subject to strict conditions such as their quality and whether they are conducive to the European public good.

The Directive provides a basis for effective and balanced co-operation between regulators in the EU and with regulators in third countries, such as the US Public Company Accounting Oversight Board (PCAOB). It also includes the creation of an Audit Regulatory Committee to complement the revised legislation and allow the speedy adoption of necessary implementing measures.

For further information see: http://europa.eu.int/comm/internal_market/auditing/index_en.htm