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EU audit rules

Intense lobbying to water down Commission proposals underlines need for tougher regulation

The European Commission today adopted proposals aimed at strengthening EU rules governing the auditing sector. The Greens expressed regret that the final proposals were considerably watered-down compared with earlier drafts, and pledged to work to strengthen the proposals during the legislative process. Commenting on the proposals, Green financial spokesperson **Sven Giegold** said:

"There is a glaring need to shake up the audit market and dismantle the damaging dominance of the 4 major firms, and the intense lobbying that led to the watering-down of the Commission's proposals only underlines this. Whether as a result of complacency, conflict of interests or negligence, the auditing oligopoly has clearly failed to provide the rigorous oversight needed, with the financial sector being a case in point. With the Commission's proposals having been scaled-back, it is now the duty of the EP to ensure tougher audit rules.

"Ensuring that joint audits are mandatory would be an important step towards reducing the dominance of the 'big four', ensuring more independent and robust supervision and improving the quality of audits. There is a need for a pan-European liability regime for the auditing profession and an in-depth investigation by the EC competition authority into the audit market, as the EP has made clear. We regret that this wasn't adopted in the final proposals by the Commissions; the Greens will push to have this included in the final legislation.

"Separating auditing and non-auditing services would be a crucial step to prevent conflicts of interests and we welcome the inclusion of this by the Commission. The proposals to rotate auditors are also welcome but alternative models of allocation should also be explored. The practice that auditors are selected and paid by the firms audited is highly questionable. It remains to be seen, however, whether the new supervisory role for the European financial markets agency (ESMA) will be effective."

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Sven Giegold

Member

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