

Company law: statutory audit of annual and consolidated accounts (amend. Directives 78/660/EEC and 83/349/EEC, repeal. Directive 84/253/EEC)

2004/0065(COD) - 21/06/2005

The committee adopted the report by Bert DOORN (EPP-ED, NL) amending the proposal under the 1st reading of the codecision procedure. The report sought to clarify a number of provisions, in particular on audit committees and on the independence and liability of auditors. Following a series of trialogue meetings, a number of amendments also aimed to approximate Parliament's position to that of the Council with a view to reaching agreement at 1st reading. The main amendments were as follows:

- **statutory audit committee:** MEPs were opposed to an EU-level requirement to set up statutory audit committees for public interest entities and instead wanted to leave it to the legislation of the Member States to determine the manner in which firms are to regulate and supervise their own internal reporting. The Member States could allow a number of exemptions from the obligation to have an audit committee and would also be given discretion to maintain national bodies similar to an audit committee;

- **independent auditors:** the committee amended the text of the proposal with the aim of clarifying the requirements for the auditor's independence from the entity being audited, including membership-based auditing entities. On the rotation of auditors, the committee stipulated that the key audit partners should rotate from the audit engagement within a maximum period of seven years rather than five years as laid down in the Commission proposal;

- **limitation of liability:** the committee proposed a new Article 30a providing that the Commission should report by the end of 2006 on "the impact of the current national liability rules for carrying out statutory audits on the European capital markets and on the insurance conditions for statutory auditors and audit firms, including an analysis of the limitations of financial liability". In the light of that report, the Commission should submit recommendations to the Member States if it considers it appropriate.

Lastly, the committee introduced a new **Article 52a** making it clear that this directive is a minimum harmonisation directive and that the Member States requiring the statutory audit can impose more stringent requirements unless otherwise indicated in the text.