

# AmCham EU supports proportionate reforms of the EU audit profession

**27 February 2013**

As representatives of business with significant investments in the European Union, employing hundreds of thousands of its citizens, we have a strong interest in a vibrant, high-quality audit profession which is vital to the effective functioning of EU capital markets.

Accordingly, the American Chamber of Commerce to the European Union (AmCham EU) supports proportionate reforms of the EU audit profession that will promote audit quality and reinforce investor confidence in financial reporting. However, these reforms need to be seen in a global context. Many of the proposed measures do not consider properly the transatlantic market place and will have an extra-territorial impact that will increase both cost and complexity with little apparent benefit.

In this regard we have a number of concerns. We have provided additional narrative on each of the in the paper that follows and have suggested a number of more effective and proportionate alternatives. However, in summary:

1. We support the goal of strengthening the role of the audit committee as an integral element of the corporate governance environment. As such, we do not support the requirement in Article 9(2) of the Regulation to impose a 10% cap on the provision of “related financial audit services” by a statutory auditor to a public interest entity. It should be the responsibility of the audit committee to decide whether such services should be limited or not.
2. We agree that auditor independence is a key ingredient for maintaining trust and confidence in the EU capital markets. However, we do not support a number of the prohibitions set out in Article 10(3) of the Regulation that prevent a statutory auditor from providing non-audit services to a public interest entity. All such prohibitions should be fully aligned with International Codes of Ethics. This will safeguard auditor independence whilst at the same time reducing divergence between the EU and third countries.

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POSITION STATEMENT

3. The requirements in Article 22 of the Regulation that govern the content of the Audit Report are unnecessarily prescriptive and inappropriate. As an alternative, we support the consistent application of the requirements of International Standards on Auditing in this regard which will ensure a level playing-field between the EU and third countries.
4. The requirement in Article 31(1) of the Regulation to increase the number of members of the audit committee, who should have competence in auditing and accounting, is unnecessary. We support the existing requirements of Article 41(1) of Directive 2006/43/EC which require a minimum of at least one such individual.
5. We do not support the requirement in Article 33(2) of the Regulation that forces a public interest entity to rotate its statutory auditor after a pre-defined period. This will increase costs for companies whilst undermining audit quality, especially for multinationals operating across multiple jurisdictions. It should be for the audit committee and those charged with governance to decide whether or not to re-appoint the incumbent auditor.
6. We do not support the regime for Administrative Sanctions set out in Title V of the Regulation and the accompanying Annex in so far as they apply to public interest entities. This should be a matter for the Member States to decide.

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*AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate U.S. investment in Europe totaled €1.7 trillion in 2010 and directly supports more than 4.2 million jobs in Europe.*

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**POSITION STATEMENT**