



**COUNCIL OF
THE EUROPEAN UNION**



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PRESSE 230

Council adopts legislative package on the reform of the audit market

The Council today¹ adopted a legislative package for the reform of the audit market in the EU.

The reform is aimed at increasing transparency and confidence in the audit market by enhancing the credibility of the audited financial statements of public-interest entities (PIEs), which are companies with a significant public interest because of the nature of their business, their size, their number of employees or their corporate status, including banks, insurance companies and listed companies.

In addition, the new rules will facilitate a wider choice of audit providers, in a market that is nowadays highly concentrated in a few big accounting firms.

The main features of the reform include:

Mandatory rotation of auditors

The new legislation will impose mandatory rotation of auditors of PIEs after a period of 10 years.

¹ The decision, which follows an agreement with the European Parliament at first reading, was taken without discussion at a meeting of the Agriculture and Fisheries Council.

P R E S S

Member states may allow the auditor or audit firm to continue audit of the same PIEs up to the maximum duration of 20 years where a public tendering is conducted and up to 24 years in case of a joint audit.

Prohibition and restriction on the provision of non-audit services

In order to avoid conflicts of interests and threats to independence a number of non-audit services, such as tax, consultancy and advisory services will be forbidden to be provided to the audited entity.

When an audit firm provides to the audited entity for three or more years, non-audit services (other than those prohibited), the total fees for such services will be limited to no more than 70% of the average of the fees paid in the last three years by the audited entity.

Cooperation of audit oversight bodies

The supervision of the system will be carried out within the framework of a Committee of European Auditing Oversight Bodies (CEAOB). The European Securities and Markets Authority (ESMA) will provide assistance in the field of external relations within the structure of the CEAOB.

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The legislative package is made up of:

- a regulation on specific requirements regarding statutory audit of public-interest entities ([PE-CONS 5/14](#) and [8241/14 ADD 1](#))¹, and
- a directive amending directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts ([PE-CONS 6/14](#))².

¹ The Austrian and Luxembourg delegations abstained and the Czech delegation voted against.

² The Austrian delegation abstained and the Czech delegation voted against.