



**COUNCIL OF  
THE EUROPEAN UNION**



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## **Agreement on the reform of the audit market**

The Committee of Permanent Representatives<sup>1</sup> today endorsed the agreement reached yesterday between the Lithuanian Presidency of the Council and the European Parliament representatives on the reform of the audit market in the EU. The agreement paves the way for the formal adoption of the reform by the European Parliament and the Council through a vote in the coming months.

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 agreement include:

### **Mandatory rotation of auditors**

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

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.

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<sup>1</sup> The Committee of Permanent Representatives (COREPER) of the governments of the EU member states is responsible for preparing the work of the Council.

# **P R E S S**

## **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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*See also statement by the Lithuanian presidency:*

<http://www.eu2013.lt/en/news/pressreleases/member-states-voted-in-favor-of-the-eu-audit-market-reform>