



2 December 2011
For immediate release

EUROPEAN AUDIT PLAN RAISES QUESTIONS ON HOW TO IMPROVE AUDIT QUALITY

Australia's auditing and assurance standards setter, the Auditing and Assurance Standards Board (AUASB), today questioned whether proposed changes to European audit regulation will achieve their stated objective of improving audit quality.

The European Commission this week issued a draft proposal on Restoring confidence in financial statements that outlines a range of measures that, if adopted by member countries, will significantly change the way audit firms are permitted to operate in Europe.

AUASB Chairman Merran Kelsall said: "A number of the EC recommendations, such as the mandatory separation of auditing and non-auditing services, and mandatory audit firm rotation, are contentious and likely to meet significant resistance from the accounting profession."

"Any measure that results in arbitrary structural changes to the international accounting firms is potentially counterproductive to audit quality."

However, she welcomed the European Union moving towards the mandatory introduction of international audit standards, issued by the International Auditing and Assurance Standards Board and adopted in Australia in 2010.

"As the auditing standards setter in Australia, we welcome any measure that will create a more consistent, robust and reliable system internationally for the delivery of high quality audit services."

The Auditing and Assurance Standards Board (AUASB) is an independent statutory agency of the Australian Government, responsible for developing standards and related guidance for auditors and providers of other assurance services.



“The confidence of capital markets in the standards that govern audit practitioners and statutory financial reporting services is essential to maintaining a stable yet dynamic audit market.”

“Treasury conducted a strategic review of *Audit Quality in Australia* in 2010 and concluded that our system is already sound and robust.”

The AUASB looks forward to participating in a robust debate with standard setters internationally and with the profession in Australia on the issues raised by the EC proposal.

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