

## PRESS STATEMENT

09 February, 2011

### **Four of the leading international accountancy organisations have joined forces to call for intervention in the audit market.**

Ahead of the European Commission's conference on the future of auditing on Thursday 10 February, and following the publication of its Green Paper entitled 'Audit Policy: Lessons from the Crisis', RSM International, BDO, Mazars, Grant Thornton have jointly issued a statement welcoming this European Commission initiative and its review of the audit profession and saying there is a credible alternative to the status quo.

"We all have a responsibility to learn from the recent financial crisis and to accept that 'no change' is not an option for any of us, however uncomfortable that might be", says Jean Stephens of RSM International, Jeremy Newman of BDO, Patrick de Cambourg of Mazars, Ed Nusbaum of Grant Thornton.

The joint statement is below:

### **JOINT STATEMENT**

**By RSM, Mazars, BDO, Grant Thornton**

#### **EU Audit Market - there is a credible alternative to the status quo**

As the European Commission hosts a very important conference on the future of auditing, following on from the publication of its Green Paper on *'Audit Policy: Lessons from the Crisis'*, our respective firms are committed to contributing positively to the calls for change in auditing and the audit market. We all have a responsibility to learn from the recent financial crisis and to accept that 'no change' is not an option for any of us, however uncomfortable that might be.

We recognise that there is a need to seek agreement on the nature and scope of the changes that should be made and, whilst our firms have formed their own views on the way ahead, we have taken the historic step to jointly contribute on the issues where we believe there can be meaningful change that will address concerns and will also enhance the quality of the audit profession.

We welcome the initiative taken by the European Commission with its wide ranging review covering all aspects of the audit profession, as well as the international leadership it has offered. We strongly support the view that there is an urgent need for an integrated "programme of reforms" and a necessity for regulatory action.

We recognise the privilege bestowed upon us by law as statutory auditors and our responsibilities to serve the public interest. With this in mind, we see three major areas on which policy makers and professionals should concentrate:

## **Creating a truly integrated Single Market for audit**

We are just at the beginning of the process of creating a truly integrated EU Single Market in auditing services, a move which will bring benefits to investors, audited entities, audit firms and the market as a whole. A range of measures is needed to facilitate auditors working more easily across borders as well as initiatives giving firms the opportunity to be registered and supervised on a pan-European basis. Further harmonisation of the requirements governing the relationship between auditors and the entities they audit and the adoption of International Standards on Auditing, would contribute to ensuring more uniform audit quality in the Single Market and a level playing field across the Union.

## **Enhancing competition and choice to avoid the inefficiencies of concentration**

The extremely high degree of concentration in the listed companies audit market must be addressed as a matter of priority not just due to the substantial market disruption that would be likely to occur if one of the dominant firms were to leave the market unexpectedly but also because of the benefits that would come from a more open and vibrant market. Voluntary market based initiatives that have been tried in some countries have not yielded the hoped for results and so a new approach is needed. This should include, in particular: (i) the prohibition of contractual clauses and other institutional bias in favour of the four dominant firms; (ii) regular reassessment of audit appointments thereby ensuring that audit committees and shareholders determine whether the current audit offering meets their needs and to look at the approaches of alternative firms; and (iii) the cooperative and global assessment of significant mergers or acquisitions by globally dominant players whose consequence is to prevent others from developing international capabilities that will provide a real and credible choice.

## **Enhancing the relevance of auditing**

We support a review of how audit findings are reported and are conscious of the growing demand by investors and supervisors for more information in particular concerning the identification and the assessment of risks. There is also an opportunity to offer a greater level of assurance on the increasingly important narrative reporting especially regarding the management and governance bodies' views on the uncertainties facing the business. There is also significant merit in considering the progressive implementation of joint audits or consortia audits (which may come in various forms) in order to strengthen confidence in the audit and improve the diversification of the audit market.

With these objectives in mind, our firms look forward to actively participating in the next steps of this key project for the EU for which, indeed, "no action" is not an option. The EU has an important role to play and the capacity to contribute to enhancing global financial stability and fostering economic growth.

**Jean Stephens,**  
Chief Executive Officer, RSM International  
**Patrick de Cambourg,**  
Chairman and CEO, Mazars

**Jeremy Newman,**  
CEO, BDO International  
**Ed Nusbaum**  
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<p>Note to editors</p>	<p>This global press statement is issued jointly by BDO International Limited, Mazars, Grant Thornton International Limited and RSM International Limited.</p> <p><b>RSM:</b> The network's total fee income of US\$3.8 billion places it amongst the top six international accounting organisations worldwide. Member firms are driven by a common vision of providing high quality professional services, both in their domestic markets and in serving the international professional service needs of their client base.</p> <p><b>BDO:</b> The combined fee income of all the BDO Member Firms, including the members of their exclusive alliances, was \$5.28 billion in 2010. The global network provides advisory services in 119 countries, with almost 47,000 people working out of 1,082 offices worldwide.</p> <p><b>Mazars:</b> Mazars is an international, integrated and independent organisation, specialising in audit, consulting, accounting, tax and advisory services. Mazars relies on the skills of 13,000 professionals in the 61 countries which make up its integrated partnership.</p> <p><b>Grant Thornton:</b> Grant Thornton International is one of the world's leading organisations of independently owned and managed accounting and consulting firms. These firms provide assurance, tax and advisory services to privately held businesses and public interest entities. More than 2,500 partners provide clients with distinctive, high quality and personalised service in over 100 countries. For more information visit <a href="http://www.gti.org">www.gti.org</a>.</p>	
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