

## Grant Thornton welcomes the EC green paper on auditing

13 October 2010

Grant Thornton has welcomed publication of the European Commission's green paper on auditing and remains committed to making a positive contribution to the debate on the role of the auditor and the structure of the audit market. Grant Thornton supports measures that enhance the quality and relevance of audits, and that reflect the needs of the marketplace. The audit model has to evolve to respond better to the needs and expectations of the modern investor and a range of other stakeholders. In so doing, the audit can continue to enhance trust and confidence in financial reporting across the European Union.

Ed Nusbaum, chief executive officer of Grant Thornton International, explains, "It is clear that there are lessons to be learned from the financial crisis. The audit model has to evolve to respond to the changing needs of company owners and other stakeholders. The green paper gives added impetus to the discussions. The Commission will have to allow sufficient time for consultation and discussion to understand the consequences of any proposals while maintaining that momentum."

Grant Thornton believes that a key element of the green paper relates to the structure of the audit market. April Mackenzie, global head public policy and external affairs, explains, "It is important to highlight the risks to the market that arise owing to the current concentration of audits."

The paper refers to reduction of the administrative burden for small and medium sized entities (SMEs). SMEs are the driving force of European economies, and relatively small reductions in the administrative burden could have considerable cumulative impact. Grant Thornton supports real savings for SMEs, including removal of reporting requirements where costs are demonstrated to be greater than benefits to the company and its stakeholders.

As part of a range of solutions to reduce concentration Grant Thornton supports greater encouragement from regulators and investors for companies to use a wider range of firms for audit and non audit services. Grant Thornton also recommends removing barriers to appointment of auditors. April Mackenzie adds, "If market practices such as restrictive covenants and inaccurate market knowledge about the quality of audit firms are allowed to persist, the positive impact of any initiatives to reduce concentration will be impaired or negated."

The green paper covers many important topics including the possible expansion of the scope of the audit; improved communication between auditor and stakeholders and governance and transparency of audit firms. Grant Thornton welcomes the consultation on these topics. Grant Thornton will review the detail of the green paper's proposals before making a formal submission.

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