



News release

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European businesses cautious on radical audit reform

LONDON, 22th June 2011 – Europe’s businesses largely oppose prescriptive solutions to shaking up the audit market but support more dialogue and disclosure, a new poll published today shows.

The YouGov poll of Audit Committee chairs and finance directors, in five major European countries, found a clear majority were concerned that far-reaching mandatory measures would not improve audit quality while raising costs and curbing flexibility and choice.

There is almost unanimous opposition to changing the law to make the use of two audit firms or joint auditors compulsory (excluding France where using joint auditors is already law⁴).

Some 70 per cent of respondents were opposed to mandatory audit firm rotation – that is making it legally compulsory to change audit firms at regular intervals. Meanwhile two-thirds were opposed to making it legally compulsory for firms to retender their audit after a set number of years.

However, businesses do offer strong support for reforms such as increasing the dialogue between auditors and regulators - favoured by 88 per cent. Around half of all businesses also support increasing disclosure of an auditor's work either through enhanced disclosure by the audit committee or an expansion of the audit report.

Businesses also agreed with the regulators in showing concern about the consequences of a failure of a large audit network, with 67 per cent saying that this outcome would pose a risk to the sound operation of the capital markets although only 14 per cent felt strongly about this issue.

Both audit committee chairs and CFO’s were clear about who should appoint an auditor, with 96 per cent stating the decision should be taken by shareholders or someone acting on behalf of shareholders (such as an audit committee). They also had clear views about auditors’ independence – with 77 per cent stating that existing safeguards were already sufficient when it came to protecting auditors’ independence in the provision of non-audit services.



The poll found that businesses did not generally perceive an overall lack of competition in the audit market. Nearly three-quarters said that competition problems were not a cause for concern when they last reviewed their audit provider, while 54 per cent said they did not believe there was a lack of competition in the audit market as a whole.

The survey found that the vast majority of respondents, 92 per cent, were happy with the quality of the external audits provided. Just 4 per cent described the quality of the audit as poor or very poor.

Ian Dilks, the global leader of regulatory affairs for PricewaterhouseCoopers International Limited, which commissioned the independent survey, said: "There is no doubt that we all have lessons to learn from the financial crisis and we welcome the recent debates on the future role and regulation of the audit profession."

"We also take very seriously the need to consult on the role of auditors so commissioned this study to hear what both audit committee chairs and finance directors think. This survey shows that while companies understand the need to learn the lessons of the financial crisis they do not favour radical measures such as compulsory audit firm rotation or joint audit which could have significant, perhaps unintended, consequences for investors and businesses. The debate around audit has been marked by a lack of research. We hope that YouGov's poll proves useful for policymakers as they contemplate legislation for the European audit market."

"In the meantime we look forward to making progress on enhancements to the overall corporate reporting model, including the role of audit, to meet the changing needs of today's capital markets."

Notes for editors:

1. All figures, unless otherwise stated, are from YouGovStone Ltd. Total sample size was 120 Chief Finance Officers or Audit Committee Chairmen at large European companies. Fieldwork was undertaken between March and May 2011. The survey was carried out by telephone.
2. Countries that took part in the survey were France, Germany, the Netherlands, Spain and the United Kingdom
3. Full details of the poll are available at www.pwc.com/gx/en/research-insights/regulation.jhtml
4. Using two audit firms to conduct an audit is already compulsory in France.

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