

Public consultation on strengthening the quality of corporate reporting and its enforcement

Fields marked with * are mandatory.

Introduction

This consultation is now available in 23 European Union official languages.

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High quality and reliable corporate reporting is of key importance for healthy financial markets, business investment and economic growth. The [EU corporate reporting framework](#) should ensure that companies publish the right quantity and quality of relevant information allowing investors and other interested stakeholders to assess the company's performance and governance and to take decisions based on it. High quality reporting is also indispensable for cross-border investments and the development of the [capital markets union \(CMU\)](#).

In the context of this consultation, corporate reporting comprises the financial statements of companies, their management report that includes the non-financial and corporate governance statements and country-by-country reporting. It would also include sustainability information pursuant to the [proposed Corporate Sustainability Reporting Directive](#).

The consultation takes into account the outcomes of the [2018 consultation on the EU framework for public reporting by companies](#) and the [2021 fitness check on the EU framework for public reporting by companies](#). This consultation however focuses on companies listed on EU regulated markets (hereafter 'listed companies' or 'issuers'), that is a subset of the companies subject to public reporting requirements under EU law. Please note that in terms of reporting, this consultation does not seek the views of stakeholders on the applicable accounting standards, such as International Financial Reporting Standards (IFRS) or the standards in the Accounting Directive, or the views of stakeholders on public country-by-country reporting or the Commission's proposal for a Corporate Sustainability Reporting Directive.

The 2018 consultation did not cover the areas of corporate governance or statutory audit. Therefore, this consultation contains questions to evaluate aspects of the [Audit Regulation 537/2014](#), [Audit Directive 2006/43/EC](#) and of [Accounting Directive 2013/34/EU](#). However, it covers the EU framework on corporate governance only in so far as relevant for corporate reporting by listed companies and the statutory audit of so-called public interest entities (PIEs). Listed companies, credit institutions, insurance undertakings and entities designated as such by Member States are PIEs.

This consultation also builds on the work carried out by the [European Securities and Markets Authority \(ESMA\)](#) and the [Committee of European Audit Oversight Bodies \(CEAOB\)](#).

This consultation is divided into 5 parts

- The first part seeks your views about the overall impact of the EU framework on the three pillars of high quality and reliable corporate reporting - corporate governance, statutory audit and supervision. It also seeks your views about the interaction between the three pillars
- The second part of the questionnaire focuses on the corporate governance pillar, as far as relevant for corporate reporting. It aims to get your feedback in particular on the functioning of company boards, audit committees and your views on how to improve their functioning
- The third part focuses on the statutory [audit pillar](#). The first questions in this part aim at getting your views on the effectiveness, efficiency and coherence of the EU audit framework. It focuses in particular on the changes brought by the [2014 audit reform](#). Subsequently, the questions aim to seek views on how to improve the functioning of statutory audit
- The fourth part asks questions about the supervision of PIE statutory auditors and audit firms
- Finally, the consultation will ask questions about the supervision of corporate reporting and how to improve it

This consultation will directly feed into an impact assessment that the Commission will prepare in 2022 with a view to possibly amend and strengthen the current EU rules.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-corporate-reporting@ec.europa.eu.

More information on

- [this consultation](#)
- [the consultation document](#)
- [the consultation strategy](#)
- [company reporting](#)
- [the protection of personal data regime for this consultation](#)

About you

* Language of my contribution

- Bulgarian
- Croatian
- Czech

- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

* First name

Paul

* Surname

THOMPSON

* Email (this won't be published)

paul.thompson@efaa.com

* Organisation name

255 character(s) maximum

European Federation of Accountants and Auditors for small and medium-sized enterprises (EFAA for SMEs)

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

002077217226-17

* Country of origin

Please add your country of origin, or that of your organisation.

- | | | | |
|--------------------------------------|--|-------------------------------------|--|
| <input type="radio"/> Afghanistan | <input type="radio"/> Djibouti | <input type="radio"/> Libya | <input type="radio"/> Saint Martin |
| <input type="radio"/> Åland Islands | <input type="radio"/> Dominica | <input type="radio"/> Liechtenstein | <input type="radio"/> Saint Pierre and Miquelon |
| <input type="radio"/> Albania | <input type="radio"/> Dominican Republic | <input type="radio"/> Lithuania | <input type="radio"/> Saint Vincent and the Grenadines |
| <input type="radio"/> Algeria | <input type="radio"/> Ecuador | <input type="radio"/> Luxembourg | <input type="radio"/> Samoa |
| <input type="radio"/> American Samoa | <input type="radio"/> Egypt | <input type="radio"/> Macau | <input type="radio"/> San Marino |
| <input type="radio"/> Andorra | <input type="radio"/> El Salvador | <input type="radio"/> Madagascar | <input type="radio"/> |

- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar/Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
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- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
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- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
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- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
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- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
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- | | | | |
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| <input type="radio"/> Croatia | <input type="radio"/> Kuwait | <input type="radio"/> Romania | <input type="radio"/> Vietnam |
| <input type="radio"/> Cuba | <input type="radio"/> Kyrgyzstan | <input type="radio"/> Russia | <input type="radio"/> Wallis and Futuna |
| <input type="radio"/> Curaçao | <input type="radio"/> Laos | <input type="radio"/> Rwanda | <input type="radio"/> Western Sahara |
| <input type="radio"/> Cyprus | <input type="radio"/> Latvia | <input type="radio"/> Saint Barthélemy | <input type="radio"/> Yemen |
| <input type="radio"/> Czechia | <input type="radio"/> Lebanon | <input type="radio"/> Saint Helena Ascension and Tristan da Cunha | <input type="radio"/> Zambia |
| <input type="radio"/> Democratic Republic of the Congo | <input type="radio"/> Lesotho | <input type="radio"/> Saint Kitts and Nevis | <input type="radio"/> Zimbabwe |
| <input type="radio"/> Denmark | <input type="radio"/> Liberia | <input type="radio"/> Saint Lucia | |

* Is your organisation a public interest entity or a listed company?

- A public interest entity
- A listed company
- None of the above
- Don't know / not applicable

* Role in the corporate reporting market

- Preparer of corporate reporting
- User of of corporate reporting
- Preparer and user of corporate reporting
- Statutory auditor
- Accounting professional
- Supervisor
- None
- Other

* Field of activity or sector (if applicable)

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance
- Pension provision

- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Other financial services (e.g. advice, brokerage)
- Social entrepreneurship
- Trade repositories
- Other
- Not applicable

The Commission will publish all contributions to this public consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association', 'consumer association', 'EU citizen') country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

* Contribution publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

Anonymous

Only organisation details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

Public

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

I agree with the [personal data protection provisions](#)

Part I - The EU framework for high quality and reliable corporate reporting

The EU framework for corporate reporting has developed significantly since the EU adopted the [fourth company law Directive \(Directive 78/660/EEC\)](#) which coordinated the national provisions on the presentation, content and publication of annual accounts and management reports of limited liability companies. This Directive also already required a statutory audit of the annual accounts of limited liability companies.

Today, the [Accounting Directive 2013/34/EU](#), the [Statutory Audit Directive \(2006/43/EU\)](#) and [Audit Regulation \(537/2014\)](#) and the [Transparency Directive 2004/109/EC](#) provide the main requirements that ensure the quality of corporate reporting and its enforcement in the EU. Moreover, the [ESMA Regulation \(EU\)1095/2010](#) gives tasks to ESMA in relation to corporate reporting. Given the inclusion of the Transparency Directive in the scope of the ESMA Regulation ESMA can make use of its powers in the ESMA Regulation, such as to issue guidelines.

The main elements of this framework that guarantee the quality and reliability of corporate reporting can be summarised as follows

- **C o r p o r a t e** **g o v e r n a n c e :**
Responsibility of company boards for corporate reporting; the establishment by PIE's of an audit committee to minimise risks and to enhance the quality of financial reporting
- **A u d i t :**
The requirements for a statutory audit of the annual accounts to ensure that there are no material misstatements
- **S u p e r v i s i o n :**
The supervision of statutory auditors and audit firms to ensure the quality of audits and the supervision of corporate reporting by listed companies to ensure the quality of corporate reporting

The three pillars of the corporate reporting framework can be mutually reinforcing. At the same time, weaknesses in one pillar also negatively impact other pillars. Appropriate responsibilities and supervision of company boards provide incentives to company boards to focus on the quality of their corporate reporting. It will also incentivise them to see statutory audit not as a burden, but as an important external check by statutory auditors. On the other hand, where company boards are insufficiently accountable and supervised, there is a risk that boards may pay insufficient attention to the quality of reporting and that they provide insufficient resources for a proper audit.

Question 1. As a user of corporate reporting (retail or wholesale investor, credit rating agency, NGO, public authority, employees, suppliers, other stakeholders), what is the relative importance of the information contained therein compared to other sources of information?

- 1 - Very low
- 2 - Low
- 3 - Medium
- 4 - High
- 5 - Very high
- Don't know / no opinion / not applicable

Question 2. How do you assess the overall effectiveness, efficiency, relevance, coherence and EU added value of the EU legislation, considering each of the pillars underpinning corporate reporting individually, but also in combination with each other?

a) Corporate governance

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Relevant in terms of overall needs and objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| IV. Coherence with other related EU frameworks / internal coherence | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. EU Added value: was and is EU intervention justified? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) Statutory audit

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

| | | | | | | |
|---|-----------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Relevant in terms of overall needs and objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| IV. Coherence with other related EU frameworks / internal coherence | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. EU Added value: was and is EU intervention justified? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) Supervision by public authorities of statutory auditors/audit firms

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|---|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> |
| III. Relevant in terms of | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

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|---|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| overall needs and objectives | | | | | | |
| IV. Coherence with other related EU frameworks / internal coherence | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. EU Added value: was and is EU intervention justified? | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) Supervision by authorities of corporate reporting

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> |
| III. Relevant in terms of overall needs and objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| IV. Coherence with other related EU frameworks / internal coherence | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

| | | | | | | |
|--|-----------------------|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|
| V. EU Added value: was and is EU intervention justified? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
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e) The eco-system composed of all of the above

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Relevant in terms of overall needs and objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| IV. Coherence with other related EU frameworks / internal coherence | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. EU Added value: was and is EU intervention justified? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 2.1 Please describe the main issues that you see, if any, in the four areas mentioned in question 2 and in the eco-system composed of all four areas. Where possible, please provide concrete examples and evidence supporting your assessment.

You may want to consider the following aspects

- **have any factors reduced the effectiveness / rendered the relevant EU framework less effective than anticipated? Which rules have proven less effective than anticipated?**
- **is there room to improve efficiency via further simplification?**
- **are existing provisions coherent with each other?**

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

While we note improvements being made in recent years, there is still room for improvement across all areas. Improvement by way of EU intervention is especially welcome in the areas of corporate governance and audit.

In relation to audit and supervision of auditors, the areas on which we have are best placed to express an informed view, we are concerned about the extent of diversity in approaches across EU Member States (MS) in their implementation of the 2014 EU Audit Directive (also known as the 2014 Audit Reform). This diversity has primarily arisen due to the flexibility afforded MS by the inclusion of many options in the Directive. Greater harmonisation is needed. Please see our response to PART III - STATUTORY AUDIT.

The [ESMA report on enforcement and regulatory activities of European enforcers in 2020](#) notes that supervisors undertook the examination that year of 729 financial statements drawn up in accordance with International Financial Reporting Standards (IFRS). Based on these examinations, European enforcers took enforcement actions against 265 issuers in order to address material departures from IFRS. This represents an action rate of 38%.

As regards the audit sector the [Commission's market monitoring report](#) highlights deficiencies in audit firms' internal quality control systems, but also in individual files for audits of PIEs. National audit oversight bodies also report that part of statutory audits is not up to standards.

Question 3. Based on your own experience how do you assess the quality and reliability of corporate reporting by listed EU companies?

- 1 - Very low
- 2 - Low
- 3 - Medium
- 4 - High

- 4 - High
- 5 - Very high
- Don't know / no opinion / not applicable

Question 3.1 Please provide concrete examples and evidence supporting your assessment in question 3 and explain the consequences that the quality and reliability of corporate reporting or lack thereof has on you.

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There is a huge difference between the audit of large complex entities such as these and the audits of small simple entities. However, high profile public audit failures bring the whole audit profession, including SMPs auditing SMEs, into disrepute. We 'all get tarred with the same brush'.

We also note that companies are typically not required to report on internal control, susceptibility to fraud etc. If they were required to report on such matters it would be easier for the auditor to comment.

Question 4. There are no generally accepted standards or indicators to measure the quality of corporate reporting and of statutory audit, nor the effectiveness of supervision. In light of this, what are your views on the following questions?

| | 1 (strongly disagree) | 2 (rather disagree) | 3 (neutral) | 4 (rather agree) | 5 (strongly agree) | Don't know - No opinion - Not applicable |
|--|--------------------------|------------------------|----------------------------------|----------------------------------|-----------------------|--|
| Would it be useful to have specific indicators to measure the quality of corporate reporting, of statutory audits and the effectiveness of supervision? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Is it possible to have clear and reliable indicators to measure the quality of corporate reporting, of statutory audit and the effectiveness of supervision? | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Should the European Commission develop indicators on the quality of corporate reporting, of statutory audits and the effectiveness of supervision? | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 4.1 Please provide any further explanation supporting your views, and, where relevant, please suggest possible indicators of the quality and reliability of corporate reporting, statutory audit and supervision, where possible with concrete examples:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

While we believe there is a strong case for having indicators, and publicly reporting them, we recognize that it is immensely difficult to determine suitable clear and reliable indicators on the quality of corporate reporting, of statutory audits and the effectiveness of supervision. This complexity may render it impractical to establish suitable indicators at EC level. Hence indicators may need to be determined at national level. If so, then the EC might provide some general guidance or principles to help drive some consistency as national bodies go about developing them.

While no indicator can be guaranteed to be reliable - they are only indicators and come with caveat emptor – we believe they have added value for the user. Therefore, indicators should be developed on a multi-stakeholder basis. Furthermore, it's important to ensure proportionality. Accordingly, we suggest indicators are only used for the PIE audits, not for SMPs auditing SMEs.

When national bodies or the EC develop indicators we strongly recommend they consider using the International Auditing and Assurance Standards Board's (IAASB's) 'Framework for Audit Quality (the Framework)' as a comprehensive approach to defining audit quality. We also encourage national bodies and the EC to examine insights from the Center for Audit Quality (CAQ) (US) and the Financial Reporting Council (FRC) (UK) as these organizations are world leaders in current thinking on Audit Quality Indicators (AQI). The UK FRC's recent publication 'What Makes a Good Audit?' makes reference to AQIs. The Netherlands expects to start using AQIs in 2023.

Presently audit firms are in the process of implementing International Standard on Quality Management 1 (ISQM 1) which supersedes ISQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements. ISQM 1 strengthens firms' systems of QM through a robust, proactive, and effective approach.

Question 5. In your view, should the Commission take action in the areas of the corporate governance pillar, the statutory audit pillar, the supervision of PIE auditors and audit firms and the supervision of corporate reporting to increase the quality and reliability of reporting by listed companies?

- Yes, there is a need to improve the **some or all of the areas listed above**
- Yes, there is a need to improve some or all of the areas listed above **as well as other areas**
- No, but there is a need to improve other areas than those listed above
- No, there is no need to take further action in any area
- Don't know / no opinion / not applicable

Please indicate to what extent you think the Commission should take action in each of the areas below to increase the quality and reliability of reporting by listed companies:

| | 1 (strongly disagree) | 2 (rather disagree) | 3 (neutral) | 4 (rather agree) | 5 (strongly agree) | Don't know - No opinion - Not applicable |
|---|--------------------------|------------------------|-----------------------|----------------------------------|-----------------------|--|
| Improve the corporate governance pillar | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Improve the statutory audit pillar | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Improve the supervision of PIE auditors and audit firms | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Improve the supervision of corporate reporting | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 5.1 Please provide any further explanation supporting your views, and where appropriate describe what actions you would prioritise and why, with concrete examples:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As we mentioned in response to Q2 we believe improvement is needed across all pillars and areas. There is no one area we can single out for special treatment. While we note improvements being made in recent years, there is still room for improvement across all areas especially corporate governance, audit, and supervision. In relation to audit and supervision of auditors, the areas on which we are best placed to express an informed view, we are concerned about the extent of diversity in approaches across EU MS in their implementation of the 2014 EU Audit Directive. This diversity has primarily arisen due to the flexibility afforded MS by the inclusion of many options in the Directive. Greater harmonisation is needed. However, it is important to ensure that regulation intended for PIEs are not passed on to SMEs and SMPs. Please see our response to PART III - STATUTORY AUDIT.

Question 5.2 At what level should action be taken to improve the quality of corporate governance, audit, audit supervision and/or supervision of corporate reporting?

| | 1 (strongly disagree) | 2 (rather disagree) | 3 (neutral) | 4 (rather agree) | 5 (strongly agree) | Don't know - No opinion - Not applicable |
|--|--------------------------|------------------------|-----------------------|----------------------------------|-----------------------|--|
| Companies themselves should take action to improve their reporting | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Auditors themselves should take action to improve audits | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Audit supervisors themselves should take action to improve their functioning | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Individual Member States should take action if the situation in their market requires this | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| The EU should take action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Several of the above should take action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 5.3 Please provide any further explanation supporting your views expressed in question 5.2:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe significant improvement is at all levels if we are to improve the quality of corporate governance, audit, audit supervision and/or supervision of corporate reporting. There is no one level we can single out for special treatment.

Question 6. To what extent is there a need to modify the EU framework on corporate reporting to support the following objectives?

| | 1 (not at all necessary) | 2 (rather not necessary) | 3 (neutral) | 4 (rather necessary) | 5 (highly necessary) | Don't know - No opinion - Not applicable |
|---|-----------------------------|-----------------------------|-----------------------|----------------------------------|----------------------------------|--|
| I. The green transition | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. The digital transition | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Facilitating doing business by SMEs | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| IV. Reducing burdens and/or simplification | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| V. Better corporate social responsibility, including tax transparency and fair taxation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

Question 6.1 Please provide, if needed, any further explanation supporting your views expressed in question 6:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We see urgent need to modify the EU framework on corporate reporting to support the objectives listed, especially the green transition and better Corporate Social Responsibility (we prefer to collectively refer to these as 'sustainable transition'). This demands more robust and reliable corporate reporting on ESG+. Accordingly, we welcome the proposed Corporate Sustainability Reporting Directive (CSRD) and the mandate granted EFRAG to develop European Sustainability Reporting Standards, including a suite tailored for use by SMEs. We must ensure we do not to overburden SMEs, either directly or indirectly via trickle-down effects through the value chain. Hence, we must look at ways to simplify and digitize as far as possible to ease this burden.

Part II - Corporate governance

The EU corporate governance framework focuses on the relationships between company boards, shareholders and other stakeholders, and therefore, on the way a company is managed and controlled. The framework consists of a combination of EU and Member State legislation and soft law, namely national corporate governance codes applied on a 'comply or explain' basis. It aims inter alia to provide protection for shareholders and other parties with a particular interest in companies, such as employees and creditors.

A [sustainable corporate governance initiative](#) is planned to be adopted by the Commission in 2021. (In addition, the [Commission's study on directors' duties and sustainable corporate governance, July 2020](#), assesses the root causes of 'short termism' in corporate governance and discusses their relationship with current market practices and/or regulatory frameworks).

Key features of the EU framework on corporate governance that are relevant for corporate reporting are

- The collective responsibility of the members of the administrative, management and supervisory bodies of a company for drawing up and publishing annual financial statements and management reports
- The requirement for a statement by the persons responsible within the issuer that, to the best of their knowledge, the financial statements prepared give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer
- The requirement for PIEs to establish, in principle, an audit committee

Question 7. How do you assess the effectiveness, efficiency, and coherence of the key features of the EU framework on corporate governance, considering how they underpin quality and reliability of corporate reporting?

a) Board responsibilities for reporting

| | | | | | | |
|--|------------------------|-------------------|----------------------|--------------------|-------------------------|-------------------------------------|
| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not |
|--|------------------------|-------------------|----------------------|--------------------|-------------------------|-------------------------------------|

| | | | | | | |
|---|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | | | | | applicable |
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) Liability of company boards for reporting

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|---|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) Obligation to establish an audit committee

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not |
|--|-----------------|------------|---------------|-------------|------------------|---|
| | | | | | | |

| | | | | | | |
|---|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| | | | | | | applicable |
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) Rules on the composition of the audit committee

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|---|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

e) Tasks of the audit committee

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not |
|--|-----------------|------------|---------------|-------------|------------------|---|
| | | | | | | |

| | | | | | | |
|---|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | | | | | applicable |
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

f) External position of the audit committee (e.g. in relation to shareholders)

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|---|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 7.1 Please describe the main issues you see, if any, as regards corporate governance and, where possible, please provide concrete examples and evidence supporting your assessment.

You may want to consider the following aspects

- **are there factors that have reduced the effectiveness / rendered the relevant EU framework less effective than anticipated? Which rules have proven less effective than anticipated?**
- **is there room to improve efficiency via further simplification?**
- **are existing provisions coherent with each other?**

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We strongly encourage the EC to consult the IFAC article '5 Key Factors to Enhance Audit Committee Effectiveness' and supporting papers. Like IFAC we believe there is a need for the audit committee to include a member or members with expertise in reporting and audit and for all members to have to complete continuing professional development.

We also encourage the EC to consult the UK FRC's report 'What Makes a Good Audit?' Much of the content and lessons are equally relevant to EU MS. The report stresses the need for a 'whole system approach' and the important contribution that the management of the audited entity and those charged with governance can make to a robust and comprehensive audit.

Question 8. Considering the level of material departures from IFRS reported in the [ESMA report on enforcement and regulatory activities of European enforcers in 2020](#), to what extent can such departures be attributed to deficiencies of the EU framework on corporate governance?

- 1 - Not at all
- 2 - To a limited extent
- 3 - To some extent
- 4 - To a large extent
- 5 - To a very large extent
- Don't know / no opinion / not applicable

Question 8.1 Please explain the main issues you see, and, where possible, please provide concrete examples and evidence supporting your assessment:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have no further comments to make.

Question 9. How effective and efficient would the following actions be in increasing the quality and reliability of reporting by listed companies?

a) Strengthen the (collective) responsibilities of the board / tasks for reporting / liability of boards for incorrect reporting

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

b) Require proper expertise of specific board members in relation to corporate reporting (internal controls, accounting framework, sustainability reporting, etc.)

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

c) Increase the responsibilities of specific board members (e.g. Chief Executive Officer or the Chief Financial Officer) and their liability on corporate reporting

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|----------------------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) Give company boards an explicit responsibility to establish effective risk management and internal control systems for the preparation of corporate reporting, including as regards controls for risks of fraud and going concern

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

e) More transparency of company boards about the effectiveness of the companies' risk management and report on the actions undertaken during the reporting period

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

f) Remove exemptions in EU legislation for establishing an audit committee

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

g) Increase the tasks of the audit committee, e.g. for providing assurance on internal control systems for the avoidance of risk and fraud and going concern

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

h) Strengthen the external position of the audit committee (e.g. vis-à-vis the auditor or by reporting to shareholders)

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

i) Require the setting up of specific whistle blowing procedures inside listed companies and supervisors of corporate reporting to strengthen the protection of whistle blowers

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

j) Require auditors to provide assurance on the systems and internal controls implemented by the board, including fraud, going concern and related reporting requirements

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

k) Strengthen the role of shareholders on corporate reporting

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 9.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of reporting by listed companies?

- Yes
- No
- Don't know / no opinion / not applicable

Question 9.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe most, if not all, of the above actions on corporate governance are needed if we are to significantly improve the quality and reliability of reporting by listed companies. As we stress above high-quality reporting starts at home (at the company) and robust corporate governance is instrumental in achieving this. Robust corporate governance demands a strong EU framework. Finally, some commentators have expressed concern that audit committees are not taking climate seriously enough.

Part III - Statutory audit

The overall objective of statutory audits is to ensure that financial statements are free from material misstatements and provide a true and fair view. The auditor has to identify and assess the risk of material misstatements and gather sufficient and appropriate audit evidence as the basis for his opinion that the financial statements provide a true and fair view and to publicly report on the results of his audit work. The EU audit rules promote audit quality and seek to ensure the independence of auditors and audit firms.

Therefore, the final objective of statutory audit is to contribute to the quality and reliability of financial statements of companies.

Question 10. How do you assess the effectiveness, efficiency and the coherence with other relevant EU frameworks of the key features of EU audit legislation in so far as it applies to PIE auditors and audit firms?

a) The rules on independence of auditors/audit firms and absence of conflicts of interest

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|--|-----------------|------------|---------------|-------------|------------------|--|
| | | | | | | |

| | | | | | | |
|---|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) The rules on the content of the audit and of the audit report

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|---|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) The rules applicable to non-audit services

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|--|-----------------|------------|---------------|-------------|------------------|---|
| | | | | | | |

| | | | | | | |
|---|-----------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) The rules on auditor/audit firm rotation

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|---|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

e) The rules on transparency (transparency report, additional reports to other parties / audit committees / supervisors)

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|--|-----------------|------------|---------------|-------------|------------------|---|
| | | | | | | |

| | | | | | | |
|---|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 11. Please describe the main issues you see, if any, in the audit pillar and, where possible, please provide concrete examples and evidence supporting your assessment.

You may want to consider the following aspects

- **are there factors that have reduced the effectiveness / rendered the relevant EU framework less effective than anticipated? Which rules have proven less effective than anticipated?**
- **is there scope to improve efficiency via further simplification?**
- **are existing provisions coherent with each other?**

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

While we note improvements being made in recent years, there is still room for improvement across most, if not all, areas of EU audit legislation. We are concerned about the extent of diversity in approaches across EU MS in their implementation of the 2014 EU Audit Directive. This diversity has primarily arisen due to the flexibility afforded MS by the inclusion of many options in the Directive. For example, we observe that many countries 'gold-plate' the definition of PIE resulting in additional entities being designated as PIEs at national level. Consequently, a wide range of definitions prevail across Europe such that a particular company classified as a PIE in one country would not necessarily be classified as a PIE in another country. Expanded definitions present other problems. In some jurisdictions there is a lack of suitable auditors to conduct PIE audits exacerbating the lack of choice and increasing market concentration. In respect of mandatory audit firm rotation, we note a high degree of consistency across the EU in the use of an initial duration of

engagement period of 10 years but significant divergences on the duration and the use of the option to allow extensions of this initial duration. In some areas there is greater consistency for example, prohibitions on non-audit services.

Overall, we welcome greater harmonisation of the rules applicable across the EU. This will likely mean more prescription and fewer options. However, it is important to ensure that regulation intended for PIEs are not passed on to SMEs and SMPs.

Finally, we encourage the EC to consult the IFAC Point of View Achieving High Quality Audits which posits that achieving high-quality audits requires a well-functioning ecosystem built upon ethics and independence, preconditions to achieving high-quality audits. IFAC says that this ecosystem involves many factors and participants including the right people, the right governance, and the right regulation.

Question 12. To which extent you agree to the following statements?

| | 1 (strongly disagree) | 2 (rather disagree) | 3 (neutral) | 4 (rather agree) | 5 (strongly agree) | Don't know - No opinion - Not applicable |
|--|--------------------------|------------------------|----------------------------------|----------------------------------|-----------------------|--|
| I. Statutory audits contribute as much as is possible to the quality and reliability of corporate reporting by PIEs | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. I am satisfied with the role of the statutory auditors / audit firms of PIEs | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. The work of auditors is reliable so I trust their assessment and reports and their work inspires trust in capital markets | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| IV. There is not enough choice for public interest entities in finding an audit firm at appropriate costs | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. Joint audits contribute to the quality of audit | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

12.1 If you want to add any comments, and/or mention specific issues you see you can insert them here. Where possible, please provide concrete examples and evidence supporting your assessment:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

While we strongly believe that the statutory audit is critical to the quality and reliability of corporate reporting by PIEs – and indeed believe the same to be true for SMEs / non-PIEs – there appears to be room to improve the quality of audits of PIEs. Since 2014 auditing and ethical standards promulgated by the IAASB and IESBA have significantly improved: many authoritative persons and bodies say they are more robust, clearer, and more cohesive. New and improved auditor reporting standards were issued a few years ago. New and improved quality management standards will soon become effective (see our response to Question 4.1 regarding ISQM 1). And new and improved group auditing standards will be issued soon. The challenge now and in the coming few years is ensuring the timely and full implementation of these new and improved standards.

We also suspect, but have no compelling evidence, that the structure of the audit market in many EU MS – characterized by limited choice, high concentration, and lack of competition – impacts negatively on the quality of PIE audits. While we encourage the EC to investigate further how joint audits might help improve choice and / or quality, we note that there is little, if any, evidence to support the view that joint audits do either. Even if it does enhance audit quality, we suspect this benefit will be more than outweighed by the additional cost of conducting a joint audit. We encourage the EC to read the report 'Effects of and experiences with joint audit' commissioned by the Netherlands Ministry of Finance.

As we mention above we also encourage the EC consult the UK FRC's report 'What Makes a Good Audit?' Much of the content and lessons are equally relevant to EU MS. We also recommend the EC consult the IFAC report Audit Fees Survey Analysis Audit Fees Percentage Corporate Revenue as cost may impact audit quality.

Finally, it is important to ensure that regulation intended for PIEs are not passed on to SMEs and SMPs.

The audit quality issues that occur most often at EU level are

- deficiencies in audit firms' internal quality control systems
- the lack of, or inappropriate, monitoring of high-risk audited entities
- and the lack of audit evidence and documentation.

Question 13. To what extent can these quality issues be attributed to deficiencies in the EU legal and supervisory framework for statutory audit?

- 1 - Not at all
- 2 - To a limited extent
- 3 - To some extent
- 4 - To a large extent
- 5 - To a very large extent

- Don't know / no opinion / not applicable

Question 13.1 Please explain, and where possible, provide evidence for your assessment under question 13:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

While it is very difficult, if not impossible, to prove beyond reasonable doubt that these quality issues can be attributed to deficiencies in the EU legal and supervisory framework for statutory audit, we think there is compelling circumstantial evidence in the steady trickle of high-profile audit failures.

It must be noted that deficiencies in the quality of PIE audits are quite rare and will not be fixed by purely introducing more regulation and tougher enforcement. Rather supervisory bodies ought to focus on providing constructive feedback and creating an environment of shared learning and continuous improvement.

Question 14. How effective and efficient would the following actions be in increasing the quality of statutory audits of PIEs?

a) Ask auditors to disclose how they have assured the directors' statement on material fraud, and what steps they have taken to assess the effectiveness of the relevant internal controls and to detect any fraud

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) Strengthen the informational value of audit reports

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|----------------------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) Improve the internal governance of audit firms

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) Incentivise or mandate the performance of joint audits for PIEs, including to enhance competition on the PIE audit market

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|----------------------------------|------------------------------------|----------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

e) Further harmonise the rules on mandatory rotation

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

f) Limit the scope for statutory auditors and audit firms to provide non-audit services

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

g) Increase or eliminate caps on auditor liability, at least for cases of gross negligence of statutory auditors

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

h) Limit the number of Member State options in the EU Audit framework to ensure consistency across the EU and to incentivise cross-border statutory audits

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

i) The creation of a passporting system for PIE auditors and audit firms, allowing auditors to provide their services across the Union based on their approval in a Member State

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|----------------------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 14.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of statutory audits of PIEs?

- Yes
- No
- Don't know / no opinion / not applicable

14.1.1 Please specify to what other action(s) you refer in your answer to question 14.1:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that the EC should investigate whether a cap on the market share of firms, especially those firms with a dominant position in a particular market, might effectively and efficiently increase the quality and reliability of statutory audits of PIEs. We note that some national regulators in Europe are considering the introduction of such caps.

Question 14.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe a range of actions will need to be taken together, and in concert with other actions under the other pillars, to achieve a meaningful improvement in audit quality. We also suspect 'the whole is greater than the sum of the parts' such that the combined effect of a number of actions will exceed the sum of their individual effects. Accordingly, we welcome many of the actions listed above.

We see merit in companies being required to provide disclosure on the functioning of their risk management systems on fraud as well as on going concern. The Netherlands is about to introduce reporting on fraud and going concern.

Some actions are not needed. Auditor reporting standards have recently been improved so we see little scope for further improvement here. We also note a high degree of EU harmonisation and more robust rules in relation to prohibitions of non-audit services.

In the UK some consensus is emerging around a combination of managed shared audit, market share cap and liability reform might be an effective combination. As we mention above we urge the EC consult the UK FRC's report 'What Makes a Good Audit?' as much of the content and lessons are equally relevant to EU MS.

While we encourage the EC to investigate further how joint audits might help improve choice and / or quality we note that there is little, if any, evidence to support the view that joint audits do either. This investigation might provide support for incentivising joint audits. With the Corporate Sustainability Reporting Directive (CSRD) likely to mandate sustainability reporting and assurance for many PIEs in the EU, a joint 'model' might provide an effective and efficient solution. This joint model might help with connectivity between

financial and sustainability reporting, and in so doing the quality of both, as well as promoting choice and competition.

Finally, it is important to ensure that regulation intended for PIEs are not passed on to SMEs and SMPs.

Part IV - Supervision of PIE statutory auditors and audit firms

National competent authorities are responsible for the approval and registration of statutory auditors and audit firms, the adoption of audit standards, quality assurance and investigative and administrative disciplinary systems.

At European level, the cooperation between competent authorities is organised within the framework of the [Committee of European Audit Oversight Bodies \(the 'CEAOB'\)](#). The CEAOB has different tasks aimed at supervisory convergence, but it has no power to take binding decisions (Article 30 [Audit Regulation](#)).

Question 15. How do you assess the effectiveness, efficiency, and coherence of the key features of the EU supervisory framework for PIE statutory auditors and audit firms?

a) The supervision of PIE statutory auditors and audit firms in the EU

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) The establishment and operation of national audit oversight bodies

| | 1 | 2 | 3 | 4 | 5 | Don't know - No opinion - |
|--|---|---|---|---|---|------------------------------|
| | | | | | | |

| | (very low) | (low) | (medium) | (high) | (very high) | Not applicable |
|---|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) The Member State systems for investigations and sanctions

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) The role of the CEAOB

| | 1 | 2 | 3 | 4 | 5 | Don't know - No opinion - |
|--|---|---|---|---|---|------------------------------|
| | | | | | | |

| | (very low) | (low) | (medium) | (high) | (very high) | Not applicable |
|---|-----------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 15.1 Please describe the main issues you see, if any, in relation to the supervision of statutory auditors and audit firms and, where possible, please provide concrete examples and evidence supporting your assessment. You may want to consider the following aspects

- **are there factors that have reduced the effectiveness / rendered the relevant EU framework less effective than anticipated? Which rules have proven less effective than anticipated?**
- **is there scope to improve efficiency via further simplification?**
- **are existing provisions coherent with each other?**

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

While we have witnessed improvements in auditor supervision in recent years, there is still room for improvement. As previously mentioned, we are concerned about the extent of diversity in approaches across EU MS in their implementation of the 2014 EU Audit Directive. This diversity has primarily arisen due to the flexibility afforded MS by the inclusion of many options in the Directive.

In most MS many public oversight and audit supervision activities and tasks that had been performed by professional accountancy organizations (PAOs) prior to the 2014 Directive are now carried out by public oversight bodies. However, we recognize that many MS delegate certain activities and tasks to PAOs,

especially in respect of non-PIE audits / auditors. We welcome the continued delegation of activities and tasks to PAOs for non-PIE audits / auditors. PAOs have the competence to fulfil this role and operate in the public interest.

As we said in our response to Question 13.1 deficiencies in the quality of PIE audits will not be fixed by purely introducing more regulation and tougher enforcement. Rather supervisory bodies ought to focus on providing constructive feedback and creating an environment of shared learning and continuous improvement.

As we mention above we encourage the EC to read carefully the UK FRC's report 'What Makes a Good Audit?' as much of the content and lessons are equally relevant to EU MS.

Question 16. Considering the findings in the [Commission monitoring report](#) and reports of national audit oversight bodies how would you rate the quality of audit supervision?

- 1 - Very low
- 2 - Low
- 3 - Medium
- 4 - High
- 5 - Very high
- Don't know / no opinion / not applicable

16.1 If you want to add any comments and/or provide evidence for your assessment in question 16, you can provide it below. You may also include the consequences that your assessment of the quality of audit supervision or the lack thereof has:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

While the quality of audit supervision has improved in recent years, we believe there is still room for improvement. We believe there is significant variation of the quality, approach, and transparency of such supervision from one MS to another.

More regulation around investigations and sanctioning may be needed. However, regulation needs to be proportionate and not act as a disincentive to audit firms since this may exacerbate an already highly concentrated PIE audit market. And as we said in our response to Question 13.1 supervisory bodies ought to focus on providing constructive feedback and creating an environment of shared learning and continuous improvement.

Question 17. How effective and efficient would the following actions be to increase the quality and effectiveness of supervision of PIE statutory auditors and audit firms?

a) Ensure better the independence and appropriate resources of supervisors of auditors and audit firms

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) Increase the transparency of audit supervisors

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) Increase the consistency of supervision of cross-border networks of audit firms

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) Ensure supervision of audit committees

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

e) Harmonise and strengthen the investigation and sanctioning powers of audit supervisors

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

f) Ensure that at European level there are legal instruments available that ensure supervisory convergence as regards statutory audit of PIEs

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

g) Grant a European body the task to register and supervise PIE statutory auditors and audit firms

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|----------------------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 17.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of supervision of PIE statutory auditors and audit firms?

- Yes
- No
- Don't know / no opinion / not applicable

17.1.1 Please specify to what other action(s) you refer in your answer to question 17.1:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We see merit in fostering more systematic sharing of experiences between supervisory bodies. This would enable these bodies to learn from one another and in so doing facilitate convergence of practices across Europe.

Question 17.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe a range of actions will need to be taken together, and in concert with other actions under the other pillars, to achieve a meaningful improvement in audit quality. We also suspect 'the whole is greater than the sum of the parts' such that the combined effect of a number of actions will exceed the sum of their individual effects. Accordingly, we welcome many of the actions listed above. We are less convinced of the need to grant a European body the task to register and supervise PIE statutory auditors and audit firms as we are unsure whether this will prove more efficient and effective than if it were done at national level.

Part V - Supervision and enforcement of corporate reporting

The supervision and enforcement of corporate reporting refers to the examination by competent authorities of listed companies' compliance with the disclosure obligations stemming from the applicable reporting framework, as well as taking appropriate measures when infringements are identified.

Based on enforcement activities by national competent authorities, ESMA reports a significant level of material misstatements. In the follow up of the Wirecard case and based on its experience, ESMA recommended a number of actions to improve the enforcement of corporate reporting ([see ESMA letter of 26 February 2021 to the Commissioner McGuinness on next steps following Wirecard - ESMA32-51-818](#)).

The [Transparency Directive](#) includes a number of requirements relating to supervision of corporate reporting

- the designation of a central competent authority in each Member State. For the enforcement of corporate reporting, Member States may designate a competent authority other than the central authority and/or delegate tasks to other entities
- national central competent authorities must be independent from market participants. There are no specific provisions as regards the independence of other designated authorities. As regards entities with delegated tasks, the entity in question must be organised in a manner such that conflicts of interest are avoided and information obtained from carrying out the delegated tasks is not used unfairly or to prevent competition
- Member States must provide competent authorities with certain powers, including investigative powers
- ESMA is tasked to foster supervisory convergence as regards the enforcement of financial statements prepared in accordance with the IFRS. For this purpose it has adopted in [2014 guidelines on the enforcement of financial information](#)

This part of the consultation complements the [Commission targeted consultation on the supervisory convergence and the Single Rulebook](#) from 12 March 2021 to 21 May 2021.

Question 18. Considering the level of material departures from IFRS in the financial statements of listed companies found in the [ESMA report on enforcement and regulatory activities of European enforcers in 2020](#), how would you rate (on a scale of 1 to 5) the degree to which such departures can be attributed to deficiencies in the EU supervisory framework?

- 1 - Very low
- 2 - Low
- 3 - Medium
- 4 - High
- 5 - Very high
- Don't know / no opinion / not applicable

18.1 If you want to add any comments and/or provide evidence for your assessment in question 18, you can provide it below. You may also include the consequences that your assessment of the quality of audit supervision or the lack thereof has:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have no further comments to make.

Question 19. How effective and efficient would the following actions be in increasing the quality and reliability of reporting by listed companies?

a) Clarify the role and responsibilities of the national authorities charged with the enforcement of corporate reporting and entities to whom the supervision of corporate reporting is delegated/designated, and improve their cooperation

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) Improve the system for the exchange of information between authorities and entities involved in the supervision of corporate reporting, and other relevant national authorities

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) Strengthen the rules ensuring the independence of national authorities or entities involved in the supervision of corporate reporting

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) Increase the resources of national authorities or entities involved in the supervision of corporate reporting

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

e) Increase the powers for national competent authorities to enforce corporate reporting, such as forensic, powers to obtain any necessary information from banks, tax or any other authorities in the country, powers to request information and corrective actions, etc.

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|----------------------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

f) Improve cooperation and coordination between national authorities of different Member States

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

g) Increase transparency on the conduct and results of enforcement activities by national authorities

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

h) Strengthen the role of ESMA on the enforcement of corporate reporting

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 19.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of reporting by listed companies?

- Yes
- No
- Don't know / no opinion / not applicable

Question 19.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have no further comments to make.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

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a9b5674e-4611-4c5c-b7da-00139d51057c/20220131_EFAAResponseQCREConsultation-FINAL.pdf

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