



## Clarify, simplify and harmonize EU Corporate Reporting

Brussels, February 9, 2022

ecoDa contributed to the EU consultation on the corporate reporting framework, noting that some of the most recent regulations might not have already achieved their intended impacts.

*« In general, more regulation is not what ecoDa recommends. However, clarification, simplification and more uniform rules with less exemptions are required for a better consistency with the initial objectives and greater homogeneity of application of the rules »*, summarizes Leena Linnainmaa, ecoDa's Chair.

The EU Audit Reform, issued in 2014, needs more time for a full assessment of its merits. The complexity of the reform, the Covid-19 pandemic and the struggle to maintain "business as usual" by audit committees, internal control, finance and accounting departments and external auditors have slowed implementation. This being said, ecoDa calls for clarification, simplification and harmonization.

Clarification: What does monitoring "the effectiveness of [...] internal quality control and risk management systems" mean pragmatically, as it varies a lot among EU companies? Does it refer to an assessment of internal control over financial reporting? ecoDa is requesting clarification, e.g. from a CEAOB guidance.

Simplification: A simplification of the 70 per cent fee cap calculation, clearly providing for extraterritoriality and excluding services such as comfort letters.

EU-wide harmonization: For a consistent application:

- Ensure a common list of prohibited non-audit services;
- include the years before the company qualifies as a PIE in the 10-year maximum mandate;
- facilitate rotation as well as conditions for a good audit by allowing resignation of audit firms' EU affiliates upon rotation of the PIE's auditor;
- have inspection reports publicly released;
- expand the transparency report with information useful for auditor's selection and understanding of audit quality at audit firm's level.

ecoDa wants to point out some basic principles with regard to audit committees:

- The principle of collegiality, which has been undermined in the context of the approval of non-audit services, should prevail;
- The principle of good governance, calling for the removal of all exemptions for the implementation of an audit committee. Similarly, internal audit functions should be rendered mandatory for companies over a certain size.

ecoDa is of the opinion that joint audit should not be mandatory in any Member State and the decision left to the board / audit committee. ecoDa analyzed the assumed merits of joint audits and concluded that, absent a robust academic demonstration of its impact on audit quality, joint audit should be viewed as part of safeguarding mechanisms in company-specific circumstances, as there are better alternatives for the overall improvement of financial reporting and audit quality.

*“ecoDa is confident that without adding overburdening legislation our suggestions will have a large impact on the quality of Corporate Reporting in Europe”* underlined Anne-Hélène Monsellato, Chair of ecoDa’s Working Group on Audit Committees.

See our [cover letter](#) and our [full response](#).

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**Notes to editors**

About the European Confederation of Directors Associations

The European Confederation of Directors Associations (ecoDa) is a not-for-profit association founded in December 2004 under the laws of Belgium. Through its 20 national institutes of directors (the main national institutes existing in Europe), ecoDa represents approximately 55,000 board directors from across the EU. ecoDa’s member organizations represent board directors from the largest public companies to the smallest private firms, both listed and unlisted.