

# 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.

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**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](mailto: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

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\* 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

ecoDa

\* Surname

ASBL

\* Email (this won't be published)

policy@ecoda.org

\* Organisation name

*255 character(s) maximum*

The European Confederation of Directors' Associations

\* 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.

37854527418-86

\* Country of origin

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

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| <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                            |
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| <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
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- 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
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- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
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- 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
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- 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
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- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
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- Palestine
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- Papua New Guinea
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- Peru
- Philippines
- Pitcairn Islands
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- 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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| <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 |
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| <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<br>Ascension and<br>Tristan da Cunha | <input type="radio"/> Zambia            |
| <input type="radio"/> Democratic<br>Republic of the<br>Congo | <input type="radio"/> Lesotho    | <input type="radio"/> Saint Kitts and<br>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

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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 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 checked="" type="radio"/>	<input type="radio"/>
III. Relevant in terms of overall needs and objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
IV. Coherence with other related EU frameworks / internal coherence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input checked="" 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 type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
III. Relevant in terms of overall needs and objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
IV. Coherence with other related EU frameworks / internal coherence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input checked="" 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 checked="" type="radio"/>	<input type="radio"/>
III. Relevant in terms of	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

overall needs and objectives						
IV. Coherence with other related EU frameworks / internal coherence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input checked="" 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 type="radio"/>	<input checked="" 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 type="radio"/>
III. Relevant in terms of overall needs and objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
IV. Coherence with other related EU frameworks / internal coherence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input checked="" 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 type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
III. Relevant in terms of overall needs and objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
IV. Coherence with other related EU frameworks / internal coherence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input checked="" 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.

The corporate governance framework has been less effective because not all boards adopted the new requirements for reasons detailed in our Cover Letter (implementation delays, Covid). The audit reform has not been fully rolled-out by audit committees to reach its full potential and needs another 3-4 years to fully assess the impact. The same can be said about the implementation of national audit regulators and their impact on audit quality and market deconcentration. The coherence with other related EU frameworks regarding the collegiality principle should be reviewed. Currently, audit committee members could be regarded with a higher responsibility than the rest of the directors because sanctions are related to missions of the audit committee, and because they are tasked with a decision (pre-approval of non-audit services). A board committee is a consultative body and does not bear additional responsibility, and all decisions should remain with the board.

Other issues are described below:

- There is a lack of clarity regarding internal control over financial reporting, both regarding expectations, the role of management and public disclosures
- The view on joint audit is inconsistent
- The content of the transparency report is mostly narrative and does not provide information that would be useful to stakeholders
- There are wide inconsistencies in the publicity of the inspection report by national audit regulators
- Too many entities benefit from an exemption to establish an audit committee
- The non-audit services provision is too complex
- Exemptions for third party countries enables loopholes
- The 70% fee cap is inconsistent with the initial objective
- The existence of different mandate durations in the EU, which are not multiples of the maximum mandate duration, is adding unnecessary complexity for groups
- The additional report to the audit committee is missing important elements
- The mandatory rotation for joint audit is inconsistent with objective

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
- 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.

**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 type="radio"/>	<input checked="" 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 type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input type="radio"/>	<input checked="" 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.

Indicators are useful to measure status against expectations and track progress systematically. They can be followed over time and help understand whether, and to what extent, effort is spent in the right direction with a measurable impact. They should be developed with a view towards homogeneity across the EU to ensure comparability, consolidation and prioritization of actions, and to serve as an additional source of information for a range of actors to assess quality and provide an anchor point for meaningful discussions and more targeted questions.

Authorities in charge of corporate reporting enforcement could provide a rating on their review of corporate reporting in broad categories.

Indicators of the quality of statutory audits should be included in the transparency reports, and provided on a 3 to 5 years basis to assess trends. They could include (more examples in our Cover Letter) : results of survey of firm personnel for topics which are relevant to audit, results of internal quality controls, results of inspection by audit regulators, trainings, average time spent by senior executives on PIEs audits, average number of audit chargeable hours per partner, weight of audit quality in management pay, statistics on diversity per grade. The list of audited PIEs should be provided with an indication of the audit and non-audit fees, versus total fees for the audit firm, on a consolidated basis. Another indicator should also be provided to the audit committee on a standardized basis to help assess the quality of the audit approach, such as a breakdown of the audit hours. Indicators regarding effectiveness of supervision should be published by the audit regulator and the CEAOB on an EU consolidated basis, and could include ratings regarding the quality control system and transparency report (per audit firm), number of audit files reviewed per year (per audit firm), aggregate market cap or revenue covered by the audit files inspected (relative to total market cap)

**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 checked="" type="radio"/>	<input 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improve the supervision of corporate reporting	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**If you think there is a need to improve other areas than those listed above please indicate which areas you have in mind:**

*2000 character(s) maximum*

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

Our views are that the EU framework has been rather effective, with a good balance of the respective powers between the actors, with the exception of the points mentioned under Question 5.1. The Whistle blowing directive should be transposed across the EU in the months to come (for those Member States when it is not already transposed), and will serve as a very useful addition to the EU framework. Also, our views are that the EU should refrain from a split of consulting and audit services at the level of audit firms (organizational or into separate, truly independent entities). Our views against the split:

- 1) Specific expertise is required in an audit, and audit firms will not be able to keep in-house specific expertise without consulting services to non-audit clients, which allow for building the expertise and provide work hours. Without this expertise (or an alternative way like under ISA 620, Using the Work of an Auditor's Expert), audit quality would be decreased.
- 2) The dual model of consulting and auditing is a diversification which allows for better management of cycles (which include mandatory rotation) and investments (audit firms have a greater opportunity to invest in technologies). Prohibiting consulting services would freeze the market even more, as the development (and investments) of second tier firms will be slowed.
- 3) The CSRD implementation will require an even more varied array of competencies at audit firms that would be solicited for assurance.
- 4) Certain consulting services are of such a nature and duration ("operate" model, partnering with software provider, cloud outsourcing, etc.) that they will no longer be feasible by the consulting branches of audit firms, as they would prevent the audit firm to respond to a tender offer for audit services. The consequences are that either the PIE will hire a second-tier firm (eg. SAP hired BDO because of the partnerships it has with all the Big 4 firms), or the audit firms will naturally reorganize.

**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.

We have organized our views below regarding possible improvements and streamlining of the EU framework (more details in our Cover Letter on each of these topics).

**Actions with higher impact and priority**

1. Clarify expectations regarding internal control over financial reporting (ICOFR), which should be interpreted as an assessment by management of ICOFR
2. Provide that joint audit be on a voluntary basis for all Member States, based on the less favorable cost / benefit analysis: 1- it is an expensive and less effective way to improve financial reporting and audit quality than an assessment of ICOFR by management, 2- it does not take into account the new regulations and roles under the EU Audit Reform, which have a greater impact, 3- and it has failed to provide for a real market deconcentration.
3. Mandatory public release of anonymized inspection reports by national audit regulators.
4. Improve transparency report so that they bring more useful information.

**Simplifications with a large impact**

5. All exemptions for the implementation of an audit committee should be removed.
6. Reduce options for Member States regarding non-audit services
7. Remove exemptions for third party countries regarding prohibited non-audit services (extra-territoriality)
8. Simplify the computation of the 70% fee cap and exclude services expressly required pursuant to EU and non-EU regulations and those for which it is standard market expectations that the services are provided by the statutory auditor
9. Internal audit function should be mandatory for companies over a certain size
10. Start of the rotation period should be from first appointment (independent from date of qualification as a PIE), and mandate duration should be harmonized in the EU as a multiple of the maximum mandate duration
11. Conditions for the resignation of auditors of subsidiaries to allow for the resignation of all affiliates of the audit firm's network in case the PIE's parent company audit firm is not renewed

**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 type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Auditors themselves should take action to improve audits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input checked="" 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 type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
The EU should take action	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Several of the above should take action	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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.

As suggested in our response to Question 5.1, the EU should take action to simplify and streamline the current EU framework so that incoherence and inconsistencies are removed and requirements are interpreted in a similar manner across the EU, and Members States should take action to harmonize the transposition of the EU framework as far as possible across the EU.

These actions should help drive a positive reinforcement, with companies strengthening their governance and the composition of their audit committees (eventually through a mandatory external board assessment once every 3 years, an option some members of the working group were in favor of) and implementing more robust internal control over financial reporting, which should have a greater impact on 1) the quality and reliability of financial information and 2) the conditions for, and the quality of, the audit.

Auditors have taken action to improve their audits, however there is a reputational lag which should be addressed. In a certain sense, based on the extent of public debate, regulation, and implied systemic risk of an audit firm failure and/or bankruptcies, audit firms above a certain threshold are entities of public interest, and should be designated in a coordinated manner as such in the EU. This would enable the provision of information on a larger basis, as well as subject them to other requirements which are seen as benefiting ethics and behavior (ethic code, whistleblowing, independent board members, disclosures on compensation, etc). The benefit of this information would be to help audit committees rationalize the choice of an audit firm based on audit quality and other indicators as opposed to (assumed) reputation and apparent quality of the RFP proposal deliverable and oral interviews.

**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 type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
III. Facilitating doing business by SMEs	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input 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.

Green transition: objective will be met with the CSRD and the work of EFRAG on non-financial information (NFI).

Digital transition: objectives should be met through a combination of the existing framework together with the CSRD and EFRAG NFI. The Universal Registration Document should describe the impact of digitalization on their business model (use of algorithms/AI/Deep Learning). NFI should describe assessment of societal impacts, etc. of these technologies as well as in terms of energy use, and related governance.

SMEs are already considered in the EU framework, however there is a disconnect between public and private companies: NFI is useful to all stakeholders and should be disclosed by a wider range of companies.

Currents threshold (revenues, total assets, employees) might not be adapted as some SMEs can have a disproportionate impact relative to their size (eg. crypto assets and non-fungible tokens vs use of energy)

The EU should work towards leveraging current technologies with a view to reducing burdens and/or simplifying. For example, the preparation of an annual report is a huge work (and will be more so with NFI), and a lot of preparers consider that very few of it is useful to investors. At the same time, some actors are prepared to use artificial intelligence in the review of annual reports, an option which will not be readily available for all users. The way the annual report is published could be changed to move certain portion to digital with a highlight of major updates.

Regarding Better corporate social responsibility including tax transparency and fair taxation, taking into account the upcoming CSRD, our views are that there has already been a huge change with country-by-country reporting (with a somewhat unfair situation created for EU companies versus the rest of the world), and that no more action should be taken to this respect pending an assessment of these actions and of other actions taken worldwide (such as the 15% taxation rate)

## Part II - Corporate governance

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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 type="radio"/>	<input type="radio"/>	<input checked="" 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 checked="" 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) 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 type="radio"/>	<input type="radio"/>	<input checked="" 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 checked="" 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"/>
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### 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 type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
III. Coherence with relevant EU rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 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 checked="" 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"/>
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**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 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 checked="" 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 type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 checked="" type="radio"/>	<input type="radio"/>

III. Coherence with relevant EU rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
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**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.

The major issues are the potential breach of collegiality, the description of board and directors' responsibilities, and the slow roll out of the requirement regarding audit committees, which is explained by many factors but could be enhanced with the requirement for an external board assessment on a periodic basis (as proposed by some members of the ecoDa working group).

1. Currently, the EU Audit Reform provides for an instance where one could feel that collegiality is breached, regarding the pre-approval by the audit committee of non-audit services. The collegiality principle should be firmly established and protected.

2. There should be a clear and uniform description of board and directors' responsibilities regarding corporate reporting and related liability across the EU, including internal control, taking into consideration one-tier and two-tier boards. This description should provide for a clear responsibility of the board over corporate reporting.

3. As a consequence of the slow rollout by countries and the pandemic, not all boards have duly considered the requirements regarding the audit committees, in particular regarding composition, which is key for a well performing audit committee.

We believe that another 3 year-iteration is necessary for boards to properly apply the EU framework to that respect.

To ensure effective roll-out for all audit committee in the timeframe, companies should address in the governance report the rationale for why they believe their audit committee has sufficient expertise regarding financial reporting, audit and internal control.

4. Any engagement of the audit committee with shareholders (and stakeholders) should be left to practice and soft law (like in the UK and in the US), as it is currently very rare. Our views are that any engagement with shareholders (and stakeholders) should primarily be done by the company and through the board chair.

**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 addressed under Question 18.1 our views regarding the reliability of the data reported in the ESMA report.

We believe such departures are explained by a lack of conceptualization regarding how internal control over financial reporting (ICOFR) and how it can influence the quality of financial reporting as a whole, for routine and unusual transactions, in the primary financial statements as well as in the disclosures.

As an example, accounting and finance departments in certain instances (larger PIEs and companies subject to Sarbanes-Oxley section 404(a)) use detailed IFRS checklists to assess completeness with the IFRS accounting and disclosure requirements (a process which is also followed by most auditors of PIEs), and also consult with external experts in case of unusual and complex transactions. These processes are usually required as part of a robust ICOFR, so that the company develops a robust view before discussing with the auditors. In companies not subject to a 404 assessment, these steps are usually not implemented and the accounting treatment and disclosure is mostly defined with the auditor. An assessment of ICOFR by management provides a better leverage for the auditor to request such steps to be implemented, and a factual basis to discuss the need for it with the audit committee.

**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**

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

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

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (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"/>

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

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

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (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"/>

**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 type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
II. Efficiency in term of cost/benefits of action	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II. Efficiency in term of cost/benefits of action	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input 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.

- a) Clarify to promote consistency however all three are at the right level
- b) Clarify the wider sense for financial expert. Soft law provides for training expectations.
- c) Responsibility is high (harmonize practices). Allocating specific liability is inconsistent with collegiality principle, which should prevail
- d) The board should not directly establish effective risk management and internal control, which should remain responsibility of management. Responsibilities for material fraud and going concern are part of the board overall duty of care.
- e) Boards report on risk management in the governance report. To be effective, requirements regarding management's assessment of internal control over financial reporting (ICOFR) and internal audit function should be considered
- f) Audit committee (AC) should be mandatory for all PIEs (no exemption) as well as for certain non-listed PIEs
- g) Clarification of the role of the AC with respect to ICOFR and development of clear expectations regarding assessment of effectiveness by management (for PIEs as well as non-PIEs above a certain size, to not act as a deterrent for capital markets).
- h) AC position vs. auditors is already strong but requires proper and uniform implementation, and collegiality principle would be at risk if specific responsibilities were given to the AC towards shareholders. AC composition is responsibility of the board as a whole
- i) Cf Whistle blowing directive
- j) The requirement for auditors to assess the effectiveness of ICOFR is efficient but would entail a significant cost for companies. There are currently requirements regarding ICOFR which are not enforced by auditors, or improvements (e.g. disclosures of material weaknesses, consideration of internal control deficiencies in KAM, and see g above) would represent an intermediate solution to cost effectively drive improvement, without the cost associated with an assessment by the auditor.
- k) EU framework already allows for an active role for shareholders

## Part III - Statutory audit

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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 type="radio"/>	<input type="radio"/>	<input checked="" 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 checked="" type="radio"/>	<input type="radio"/>
III. Coherence with relevant EU rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
II. Efficiency: has the framework	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

been cost efficient						
III. Coherence with relevant EU rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 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"/>

**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 type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II. Efficiency: has the framework	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

been cost efficient						
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 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 type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 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.

Issues are:

- a) Different scopes of non-audit services and exclusion of third-party countries have left open the possibility of prohibited services rendered by the same network than the auditor of the PIE
- b) The 70% fee cap computation is inconsistent (legal entities instead of the network as a whole and depends on how the audit fee billing structure is organized) and had unintended consequences
- c) Views on joint audit are inconsistent
- d) The 24 years period for joint audit is too long, especially taking into account the start of the period for mandatory rotation
- e) Besides the existence of different mandate durations in the EU, which usually are not multiples of the maximum mandate duration effectively discourages rotation
- f) The additional report to the audit committee encompasses many topics, except inspection reports, an area where there should be more focus
- g) The content of the transparency report is mostly narrative and does not provide information that would be useful to audit committees and other stakeholders to assess the impact of measures taken towards audit quality

Proposed simplifications and improvements:

- a) Prohibited services should be the same across the EU, and application should be extraterritorial
- b) The 70% fee cap should consider non-audit services for the whole network, worldwide, to not exceed 70% of the audit services, and exclude non-audit services expressly required pursuant to EU and non-EU regulations, or for which it is standard market expectations (interim reviews, etc.)
- c) Mandate duration should start from initial appointment (not from qualification as a PIE). Also, duration of minimum and maximum mandate should be homogenized across the EU (as a multiple of one another)
- d) The additional report to the audit committee should include communication of inspection reports and be discussed systematically.
- e) The 24 years for joint audit (if mandated) should be reduced, and the overlapping of auditors avoided to allow for a fresh eye

**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 type="radio"/>	<input checked="" 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 type="radio"/>	<input checked="" 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 checked="" type="radio"/>	<input type="radio"/>	<input 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.

When appropriately challenged by the AC, the work of auditors is reliable, however improvements in transparency reports as well as public release of inspection reports will help initiate better discussions regarding audit quality as a whole.

There is not enough choice for PIEs to find an audit firm when joint audit (JA) is mandatory. JA has the unintended consequence of artificially increasing market concentration and de facto preventing ACs to more readily consider a rotation based on the sole consideration of the quality and performance of the audit.

The view that JA is contributing to audit quality, independence and market deconcentration is inconsistent.

There has not been a marked investors' interest (ie. impression of higher independence and audit quality) in companies under JA, and our view is that the efficiency of JA is more of a belief than an academically and operationally demonstrated position.

The "second view" ignores the quality control system at audit firms and the shortcomings of the cross-review system, the "independence view" ignores the new role of ACs.

Many other criteria with a greater impact over audit quality and independence have changed since it was first rendered mandatory in France or could be implemented (e.g. Internal control over financial reporting, public release of material weakness) for which the cost/benefit analysis is considerably better as it also improves financial statements preparation. Finally, JA works mostly (with rotation of audit risk areas) with two Big 4s and the timeframe is too short for deconcentration to have occurred yet under the EU Audit Reform.

Either there is academically-researched and demonstrated evidence that it improves the 3 pillars and rendered mandatory across the EU, or not, and JA should then be left on a voluntary basis or as a safeguarding mechanism in certain very specific situations, on a case-by-case analysis.

Our views are developed in a more articulated way in our Cover Letter.

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.

The implementation of national audit regulators has been slow in many EU countries, with heterogenous working practices. Whilst we appreciate the fact that there is a learning curve for newly established regulators, their action has been less efficient in a number of areas where they could have been more effective regarding audit quality (internal quality control systems and quality of documentation) and in helping market deconcentration.

Member States where the national audit regulator has been implemented years before the EU audit reform tend to perform better in this respect (development of professional judgment requires experience, and joint inspection with other audit regulator helps in that process). Harmonization of the practices should happen at CEAOB level to ensure consistent application of the inspection process and qualification of findings. Another example is the review of the tender offer process as part of the audit firms inspection and a better dialogue with audit committees (as a first step) to better understand their decision-making process (and need for audit quality indicators) and make them aware of how tender offers criteria could have a discriminatory impact on auditors selection (disproportion between tender offer requirement and underlying audit complexity), and could help improve the situation on deconcentration by providing a larger audit market for mid-sized and large PIEs.

**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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II. Efficiency in term of cost/benefits of action	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II. Efficiency in term of cost/benefits of action	<input checked="" type="radio"/>	<input type="radio"/>	<input 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 type="radio"/>	<input checked="" 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II. Efficiency in term of cost/benefits of action	<input checked="" type="radio"/>	<input type="radio"/>	<input 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 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"/>

**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**

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (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"/>

**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**

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (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) 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**

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

The transparency report by audit firms does not currently receive much publicity, and it should be an important document for audit committees to serve in the process of selection of an auditor. Currently, the transparency report is mostly a narrative document which describes the audit firm internal processes. Our views are that it should include facts beyond the narrative description, such as a summary of the inspection findings (on the 3 pillars of quality control, assessment of the transparency report and inspection of selected audit files), over five years to measure improvement over time, with a follow-up of remediation actions undertaken. This section should cover all inspection results (ie. inspection by the national audit regulator as well as by other foreign audit regulators such as the PCAOB).

Also, large networks usually conduct annual internal employees' surveys, however the results of these surveys are not rendered public (although they usually communicate largely on when they are in the top 5 of best employers). Some of the information in these surveys are of interest to audit regulators and audit committees, in particular when they relate to how quality is perceived internally, tone at the top, disconnect between tone at the top regarding audit quality and actions, and engagement. This information should be disclosed in the transparency report.

Finally, some audit quality indicators should also be disclosed, such as the result of the internal audit quality inspections (eg. how many files inspected, ratings by partners and senior managers, over five years).

This information would help audit committee but also other stakeholders to more fully assess the efforts undertaken by audit firms regarding audit quality, ask meaningful questions during the appointment process (and rationalize the recommendation to the board) and when reviewing performance assessment.

**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.

- a) Less effective than an assessment of internal control over financial reporting (ICOFR), and does not have the best cost / benefit action (no impact over the company's ICOFR structure as a whole whilst considerably increasing the cost of an audit)
- b) Already high (KAM); however KAM should also include audit approach for material weaknesses of ICOFR
- c) Large audit firms for which the functioning is similar to corporate should be considered as PIEs and governance should be adapted with more independent directors

- d) Joint audit does not increase audit quality or independence, and works against market concentration (see our Cover Letter)
- e) The start of the period should be on date of first appointment (not when the entity qualifies as a PIE). The duration of minimum and maximum mandate should be homogenized across the EU, with the maximum being a multiple of the minimum duration, to facilitate rotation as well as the conditions for a good audit.
- f) The 70% computation should be simplified (non-audit services, or NAS, for the whole network, worldwide, should not exceed 70% of audit services), the list of prohibited services should be harmonized and application extraterritorial (for non-EU affiliates). NAS expressly required under EU and non-EU regulations, or for which it is standard market expectations that they are provided by the auditor, should be excluded (eg. audit services required under other auditing standards for EU companies listed outside of the EU, IPO services, comfort letters, attestations, review of interim financial statements).
- g) Liability cap should be removed for cases of gross negligence
- h) The EU audit framework should be harmonized to the fullest extent possible
- i) Audit requires local presence, major audit firms already have a local presence (and risk would be too high for those that do not), the creation of a passporting system would not facilitate the audit process for groups.

## 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 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 checked="" type="radio"/>	<input type="radio"/>

III. Coherence with relevant EU rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
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**b) The establishment and operation of national audit oversight bodies**

	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 checked="" type="radio"/>	<input type="radio"/>
III. Coherence with relevant EU rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input checked="" 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 checked="" type="radio"/>	<input type="radio"/>

III. Coherence with relevant EU rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
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**d) The role of the CEAOB**

	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 checked="" type="radio"/>	<input type="radio"/>
III. Coherence with relevant EU rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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.

a)The existence of national audit regulators has driven a huge increase in audit quality (including quality of dialogue between auditors and AC), however the quality of audit supervision in the EU is heterogeneous (application of professional judgment for audit deficiencies), issuance of inspection report is too late and inspections have been more focused on audit quality at the expense of audit deconcentration. Our views are that this is due to a learning curve (and different maturities) and that, over time, the system will find an appropriate cost/benefit balance. Elements of progress must be drawn from reflecting on the Wirecard failure (eg. risk analysis and approach for selection of audit files for inspection, external sources of information to inform the risk analysis and selection, focus of inspection on identified root causes for audit failures such as understanding of the business by the auditors for non-traditional businesses, etc.)

b)Effectiveness has been lower than expected due to a slow start in certain countries, which has been cause in part by a system that left a wide range of options for Member States to organize, without the proper checks and controls.

c)We have not developed a view on whether the Member States systems for investigations and sanctions for PIE statutory auditors and audit firms has or has not been effective. Regarding the systems for investigations and sanctions regarding management and directors, in countries that have opted for one, we have noted (and welcomed) a “grace” period for “educational” purposes. To maximize the impact, we suggest that warning letters be sent to audit committees deemed in breach before enforcement actions are initiated.

d)The role of the CEAOB should be expanded beyond coordination to ensure homogenization across the EU on all dimensions (identification and treatment of audit deficiencies, enforcements, etc.) as well as to provide a platform for an EU wide view on the market and practices.

**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.

The existence of NCAs has driven a huge increase in audit quality (including quality of dialogue between auditors and audit committees), however our views are that the quality of audit supervision is heterogeneous (application of professional judgment for audit deficiencies), issuance of inspection report is too late and inspections have been more focused on audit quality at the expense of audit deconcentration

Regarding Big 4 dominance, the transitional provision combined with a start of the rotation period as of the date of qualification for PIE status (instead of first appointment) has had a detrimental impact on rotation in France due to the higher period of 24 years. The artificial decrease of audit firms' candidate due to joint audit has had the effect of freezing the rotation process for fear of not having sufficient candidates.

Audit committees often consider an upgrade in the auditors' stature and reputation as part of the preparation for an IPO. Entry of Big 4 firms generally precedes the IPO process, for a period where they will usually accept lower audit fees on the assumption that they will recover at the time of IPO and subsequent increased audit fees. Not only this is detrimental to second-tier audit firm, but it is also conducive to a situation where the second-tier audit firm, which would be qualified to audit the new PIE alone (absent joint audit), will take the back seat to a Big 4 (under joint audit). We suggest that in order to pinpoint this phenomenon, audit fees for the 5 preceding years of an IPO be disclosed either in the IPO prospectus, or in the financial statements (5 years is preferable to account for the possibility of delayed IPO process), and be reviewed as part of the inspection process.

Audit committees of companies contemplating an IPO tend to select big 4 firms because of their overall reputation, as a safe choice in the absence of indicators on audit quality by which they could rationalize their decision.

**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 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 type="radio"/>	<input type="radio"/>	<input checked="" 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 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 consistency of supervision of cross-border networks of audit firms**

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

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

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (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 type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

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

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (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.

See our response under Question 19.1.1

**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.

- a) National audit regulators are at very different maturity stages. Appropriate resources are needed to ensure a closer review of large networks in terms of frequency, audit files reviewed, focused reviews, quicker release of inspection reports, as well as to ensure cooperation with the national authorities in charge of corporate reporting enforcement to ensure an effective follow up on restatements root causes (to better inform future regulation)
- b) Apart from publication of inspection reports which should be harmonized in the EU, audit regulators already publish an annual report
- c) Cooperation through the CEAOB should be enhanced so that large cross-border networks are better supervised
- d) Art. 27 of the regulation requires an assessment of the performance of ACs by audit regulators, reviewed on the statutory scope of AC activity. The 2nd real iteration shows wide disparities. Our views are that it is too early to draw conclusions on the effectiveness (or lack thereof) of the monitoring under Art. 27, also due to the delays in the implementation of the EU Audit Reform (see question 2.1). Areas which could be improved are: 1- more contact with AC chairs to better understand context, 2- thinking process as well as competence of AC as a whole (more probing in that area), 3- assessment of the tender offer process (including in certain specific situations such as IPOs), 4- assessment of the quality of dialogue between AC and auditors as well as of the processes around audit fees and non-audit services
- e) There should be an EU harmonization in the investigation and sanctioning powers (wide discrepancy between countries, some with monetary sanctions and others without)
- f) This is the role of CEAOB, which role should be enhanced beyond coordination

g) An EU body would ensure homogenous designation of PIEs for entities of particular significance or systemic risk, however the current system (audit regulators coordinated by CEAOB) could work through better coordination

## Part V - Supervision and enforcement of corporate reporting

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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 note the large level of actions taken following reviews by European enforcers in 2020, the fact that examinations were mostly conducted ex-post, and the comment regarding the fact that “the comparability of the data is restricted by the fact that the use of actions is not fully harmonized in the EEA, including because the legal powers of individual enforcers to use specific actions differ on the basis of national law. Furthermore, the Guidelines allow a certain degree of flexibility in application”.

Some further information would have been useful to analyze underlying root causes:

- disaggregation of data for actions (by size of companies,)
- disaggregation of actions regarding accounting in primary financial statements vs disclosures, and a categorization of the action by degree of technicality.
- assessment of the European enforcers in terms of performance and maturity (under the peer review assessment).

We understand that ESMA’s role is to foster harmonization and convergence and we believe this will enable more reliable information.

Such departures can be attributed to a diverging appreciation of the materiality of the impact between accounting and finance departments, audit committees and external auditors on one side, and European enforcers on the other side. Being mostly brought from ex-post examinations, audit regulators’ inspections could help understand to what extent these discrepancies in appreciation were discussed at that time with audit committees.

We note that the additional report to the audit committee does not require a mandatory discussion of recorded and non-recorded adjustments (including when they address disclosures), and that such a discussion would probably help in avoiding material IFRS departures.

Annual report from market securities authorities would be more useful with examples of best practice disclosures.

**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**

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (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**

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (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**

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (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**

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (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) 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.**

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
II. Efficiency in term of cost/benefits of action	<input checked="" type="radio"/>	<input type="radio"/>	<input 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 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 transparency on the conduct and results of enforcement activities by national authorities**

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (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"/>



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

	<b>1</b> (not at all effective/ efficient)	<b>2</b> (rather not effective/ efficient)	<b>3</b> (neutral)	<b>4</b> (rather effective/ efficient)	<b>5</b> (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"/>

**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

**19.1.1 Please specify to what other action(s) you refer in your answer to question 19.1:**

*2000 character(s) maximum*

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

Academic research is a way to inform action and the regulation process. Academic research benefits from large samples, which are difficult to find in the fragmented EU environment, unless aggregated. We note that the field of academic research in the US is much more active, as the set of data is also broader. For example, all SEC comment letters are publicly released, together with companies' response, in a searchable database. The SEC also publishes Accounting and Auditing Enforcement Releases (AAERs) in a single database, which also facilitate academic research. The way the AAER are written is detailed and provides a good indication of the underlying process-level audit deficiencies noted (when identified as a cause). Companies' names are disclosed in both sets of information.

A debate is emerging in US research reports regarding how researchers can have a larger access to issuers' names for audit quality deficiencies noted in inspection reports by the PCAOB (currently anonymized in the public release of the inspection reports). One additional question is how effective monitoring mechanisms by national audit regulators actually are (which would require a larger access to inspection findings).

Actions which enable a better aggregation and searchability of qualitative information could provide a better dynamic for the field of academic research in the EU regarding audit quality and reliability of corporate reporting, especially at a time where non-financial information (and related risk of class actions in the EU regarding ESG commitments and reporting) is likely to increase the level of public debate. The EU should review how it can foster a more dynamic and systematic involvement of EU academia in these fields.

**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.

a) Clarification is needed so that the structures, related role and responsibilities is harmonized across the EU, which will facilitate cooperation as well as coordination and homogeneity regarding assessment of corporate reporting

b) Improving exchange of information and related systems will enhance efficiency of supervision whilst decreasing the costs

c) The assessment conducted around the Wirecard case should serve as a basis for the minimum

organizational criteria to be met across the EU, and procedures should be designed on a national basis to check whether they are respected

d) The scope of supervision as a % of PIEs reviewed compared to total varies considerably in the EU and should be harmonized, either through an increase of resources or more cooperation (for ex-post reviews).

e) Increasing these powers would lead to a duplication of the audit effort. The role of the national competent authorities is to provide an external assessment of the information, not to audit the information. Enhanced cooperation with the national audit regulator to better understand the root cause of the deficiency (in particular regarding restatement) should provide the required information without a need for these additional powers.

f) Cooperation and coordination between national authorities of different Members States will provide for a greater harmonization of positions and homogeneity of actions.

g) Increased transparency on the conduct and results of enforcement activities will provide for a greater harmonization of positions and homogeneity of actions.

h) The role of ESMA should be strengthened to ensure a better monitoring of the application of the guidelines as well as of independence, as well as to ensure homogeneity in the enforcement actions.

## Additional information

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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.**

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

**18148921-2a4f-4dfc-8649-1eae3cc432ae/20220208\_ecoDa\_Cover\_Letter.pdf**

### Useful links

[More on this consultation \(https://ec.europa.eu/info/publications/finance-consultations-2021-corporate-reporting\\_en\)](https://ec.europa.eu/info/publications/finance-consultations-2021-corporate-reporting_en)

[Consultation document \(https://ec.europa.eu/info/files/2021-corporate-reporting-consultation-document\\_en\)](https://ec.europa.eu/info/files/2021-corporate-reporting-consultation-document_en)

[Consultation strategy \(https://ec.europa.eu/info/files/2021-corporate-reporting-consultation-strategy\\_en\)](https://ec.europa.eu/info/files/2021-corporate-reporting-consultation-strategy_en)

[More on company reporting \(https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing\\_en\)](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing_en)

[Specific privacy statement \(https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement\\_en\)](https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement_en)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

## **Contact**

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