

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

Fields marked with * are mandatory.

Introduction

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

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

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

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

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

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

This consultation is divided into 5 parts

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

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

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

More information on

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

About you

* Language of my contribution

- Bulgarian
- Croatian
- Czech

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

* I am giving my contribution as

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

* First name

Reiner

* Surname

Veidt

* Email (this won't be published)

reiner.veidt@wpk.de

* Scope

- International
- Local
- National
- Regional

* Level of governance

- Parliament
- Authority
- Agency

* Organisation name

255 character(s) maximum

Wirtschaftsprüferkammer - German Chamber of Public Accountants

* 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.

* 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 |
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| <input type="radio"/> Belarus | <input type="radio"/> Georgia | <input type="radio"/> Mongolia | <input type="radio"/> South Sudan |
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| <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
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Tristan da Cunha | <input type="radio"/> Zambia |
| <input type="radio"/> Democratic Republic of the Congo | <input type="radio"/> Lesotho | <input type="radio"/> Saint Kitts and Nevis | <input type="radio"/> Zimbabwe |
| <input type="radio"/> Denmark | <input type="radio"/> Liberia | <input type="radio"/> Saint Lucia | |

* Role in the corporate reporting market

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

* Field of activity or sector (if applicable)

- Accounting
- Auditing

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

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

* Contribution publication privacy settings

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

Anonymous

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

Public

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

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

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

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

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

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

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

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

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

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

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

a) Corporate governance

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

b) Statutory audit

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

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

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

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

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

d) Supervision by authorities of corporate reporting

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

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

e) The eco-system composed of all of the above

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

intervention justified?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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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.

We welcome this consultation and would like to mention the following problems:

- The legal framework for accounting has been becoming more complex for years, with extensive changes to the IFRS contributing to this in particular. Some of the IFRS regulations are subjective, which makes a uniform and comparable application even more difficult (e.g. financial instruments, goodwill, leasing, etc.).

- Companies and auditors are confronted with increasing regulatory requirements, currently, for example, the EU CSRD draft. In our opinion, the vast majority of financial reports are nevertheless not objectionable. There is no doubt that there is misconduct among the companies subject to reporting requirements, as the ESMA investigation has revealed. In our opinion, however, these are not systemic errors. It is not apparent that the EU sufficiently analysed the need for action prior to the consultation.

- The Audit Regulation and Audit Directive have led to numerous questions and considerable legal uncertainty in their initial application. We are currently observing many member state options that make uniform application (especially for medium-sized and large auditing networks) in the EU more difficult (e.g. rotation). This also leads to avoidable coordination efforts for (multinational) clients. There is no information available from the EU on how these regulations are implemented in detail in the Member States. A detailed analysis of the initial situation is essential to identify concrete need for action for further changes.

- With regard to the expectation gap on the work of the auditor, the public often fails to realize that the audit opinion is not a guarantee of the company's ability to continue on a going concern basis and that the audit is not a forensic audit. The prevention or detection of fraud and the going concern assumption are primarily the responsibility of the legal representatives. Of course, corporate failures will occur in the future as well.

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.

High-quality financial reporting

The financial reporting of companies in Germany is considered to be of high quality and comprehensive. Companies generally report to the public in a timely and factual manner. Disclosure violations are sanctioned.

According to the European Commission's final report on the "Fitness Check of Public Reporting by EU Companies" (April 2021), the reliability of financial information disclosed by listed companies was found to be good overall.

Availability at all times

In Germany, not only the annual financial statements (including management report and auditor's report) of listed entities but also of all medium-sized and large entities can be viewed by any interested person free of charge and at any time after disclosure. We assume that this transparency is also practiced in the other EU Member States.

ESMA report provides no evidence of system failure

Considering the ESMA Report carefully, the error rate listed in the report does not allow any conclusions to be drawn about systemic deficiencies. Rather, it should be taken into account that, in relation to the totality of IFRS financial statements, measures are only required for a small percentage.

Sustainability reporting

Once the Corporate Sustainability Reporting Directive (CSRD) has come into force, further improvements in sustainability reporting, its confirmation and its monitoring will be necessary.

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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Should the European Commission develop indicators on the quality of corporate reporting, of statutory audits and the effectiveness of supervision?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

2000 character(s) maximum

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

Agreement in principle:

In principle, we consider specific indicators to measure the quality of corporate reporting, auditing and the effectiveness of supervision to be useful. Particularly in the public perception, the quality of audits receives a great deal of attention. However, defining quality in these areas is costly and involves the development and establishment of correspondingly complex systems and processes. We are currently not aware of any generally accepted quality indicators for corporate reporting and oversight, and these would have to be developed with the involvement of the relevant stakeholders (multi-stakeholder approach).

The German legislator has currently reacted to improve the quality of auditing with the "FISG" (so called: "Gesetz zur Stärkung der Finanzmarktintegrität" or Act to Strengthen Financial Market Integrity). In this respect, the effects of the law should first be awaited before new measures are imposed on the German profession.

Concerns regarding implementation, practicability and benefits:

We are unable to assess whether the efforts involved are commensurate with the benefits. Corporate reportings or audits are not common, tradable goods (commodities), but the result of complex processes and intellectual considerations. We consider it dubious to transform this into one or more key performance indicators.

Indicators for the purpose of quality management in auditing practices or for the purpose of external assessment of audit quality, for example, could prove to be indicative, but this should be judged with a sense of proportion, as it involves a great deal of effort, especially for small and medium-sized practices.

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

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

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

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

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.

We see need for improvement beyond this in the following areas:

We believe that all stakeholders (companies, auditors and regulators) need to evolve to create a stronger system that is only as strong as its weakest link.

The initial focus here should be on harmonizing and simplifying existing rules and regulations to create a more coherent framework. Further to auditing, we believe that member state options should only be allowed if this can be justified. Greater harmonization at EU level may be needed in the areas of mandatory audit rotation and the provision of non-audit services. However, a detailed analysis of the previous implementation of the Audit Regulation and Audit Directive should be undertaken before new regulations are issued.

In addition, it seems indispensable that European auditing regulations continue to be aligned with the IAASB's International Standards on Auditing (ISA) and the IESBA's Professional Standards (Code of Ethics) to enable international comparability and promote practicability. These standards provide a very good framework for auditors' work and are constantly evolving to address new issues such as fraud, going concern, digitalization, conflicts of interest, etc.

Overall, when amending and introducing new rules, the scope of these rules needs to be reconsidered to focus on systemically important entities, as Member States have different definitions for public interest entities (PIEs), for example.

In addition to the areas mentioned above, we see an urgent need for action to reduce the complexity and scope of IFRS, which have contributed significantly to the action rates in the ESMA Report.

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.

Corporate insolvencies are inherent in the system:

Even with a mature system of corporate governance and control, corporate insolvencies cannot be completely avoided. Controls, systems and processes cannot prevent all corporate failures. Entrepreneurial ventures are part of our free market economy. The challenge is to minimize the impact of such failures on the economy and on investor confidence, and to use these failures as learning experiences for the entire system.

To improve in the area of corporate governance:

The accountability of corporate bodies for corporate reporting and their interaction should be clarified.

To improve in the area of auditing and oversight of PIE auditors:

In the area of auditing, we see little need for action in principle, as the profession has high-quality and stable professional standards for performing audits. These standards are issued and further developed by the independent standard setters (IAASB and IESBA) after approval by the Public Interest Oversight Board (PIOB).

Looking at Germany, the current case numbers of the WPK's professional supervision demonstrate the high quality and functionality of the statutory audit system in Germany. Approximately 45,000 statutory audits have resulted in approximately 200 investigations, with only 24 disciplinary measures to be imposed.

We do see a need for action to improve the supervision of corporate reporting and refer to our analysis of the ESMA report: it is striking that the enforcement rates in the EU Member States vary, in some cases very widely. It is questionable whether reporting is simply better in countries with low error rates or whether more lenient standards are applied. Objective benchmarks or more exchange within the CEAOB would be necessary here, but not an expansion of ESMA's powers ("no shift of powers").

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

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

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

2000 character(s) maximum

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

Careful consideration will always reveal opportunities and room for improvement in order to make progress in each of the three pillars of high-quality and reliable corporate reporting.

However, based on our observations, the vast majority of corporate reporting in Germany is not objectionable. We therefore see no general need for action on the part of companies.

The premise that insolvencies can be permanently avoided is illusory. On the contrary, they are essential for the continued existence of the remaining companies, as they are the only way to make available production and employee capacities that are being used below their potential.

At EU level, a uniform legal framework should be provided with to ensure consistent implementation of the supervision of IFRS reporters (see also our analysis of the ESMA report).

Even though we do not see any general need for action with regard to the audit of financial statements, we are in favour of raising the awareness of the profession for specific fraud topics (for example, through high-quality training measures) in order to expand awareness in this regard and to further sharpen the mindset of professional skepticism.

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

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

On the transition to a green economy and the digital transformation:

We support the ambitions of the European Green Deal. The transition to a green economy, the digital transformation and technological leadership are important aspects of the coming decades. However, this is not happening because of the will of the legislator, but out of entrepreneurial initiative and a sense of corporate responsibility. It is the task of the legislator to ensure appropriate framework conditions and freedom.

Already now, the current challenges are manifold, e.g.:

- ESEF Regulation,
- Taxonomy Regulation,
- Draft CSR Directive,
- EU Disclosure Regulation,
- Draft EU Green Bond Standard.

Against this background, further measures should be taken with a sense of proportion and should only be considered after prior careful analysis.

To make it easier for SMEs to do business and to reduce the burden and / or simplification:

We see an urgent need for action here. Small and medium-sized entities are the backbone of the global economy and make a crucial contribution to global prosperity. It is crucial that the regulatory environment for these companies is designed with a sense of proportion. Entrepreneurship must be rewarded, not limited. The International Federation of Accountants (IFAC) has also recognized this and is currently developing a standard for the audit of less complex entities (IAASB ISA for LCE).

Especially for SMEs seeking access to capital market financing, the burdensome reporting requirements act as a deterrent. Therefore, the Commission should carefully assess and analyze in advance all direct and indirect impacts and burdens on SMEs' corporate reporting.

Part II - Corporate governance

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

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

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

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

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

a) Board responsibilities for reporting

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

b) Liability of company boards for reporting

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

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

c) 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 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) Rules on the composition of the audit committee

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

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

e) Tasks of the audit committee

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

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

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

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

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

You may want to consider the following aspects

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

2000 character(s) maximum

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

The most important aspects with regard to corporate governance are:

- Audit committees must deal intensively with reporting in terms of time and content. There is often a lack of transparency regarding the activities of audit committees.

- The qualifications of audit committee members are crucial to the quality of oversight of those charged with governance. At the same time, serving on an audit committee must continue to be attractive.

- In the future, members of audit committees will have to acquire additional competencies in the fields of sustainability reporting. This will make the requirements profile significantly more demanding.

- With regard to the exchange between the audit committee and the auditor, we recommend intensifying and further developing the discussion of issues that are of importance for corporate reporting and the audit of financial statements. Professional auditing standards such as ISA 260 (Revised) "Communication With Those Charged With Governance" impose clear requirements on the auditor in this regard. Audit committee members should address and internalize these requirements as well.

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.

In responding to the questions in Part 2 of this consultation, we focused on how the corporate governance framework could be improved to better manage the material risks to a company, rather than the risk of deviation from the accounting framework. These risks primarily include fraud, going concern, technology, and sustainability. We believe that better management or mitigation of these risks should be the driving element for improving the EU corporate governance framework, not tighter rules for auditors.

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

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

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input 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) Require proper expertise of specific board members in relation to corporate reporting (internal controls, accounting framework, sustainability reporting, etc.)

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

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

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	<input 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

	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"/>

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

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

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

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

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

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

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

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

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

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	<input type="radio"/>	<input type="radio"/>	<input 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"/>

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

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

k) Strengthen the role of shareholders on corporate reporting

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

9.1.1 Please specify to what other action(s) you refer in your answer to question 9.1:

2000 character(s) maximum

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

We are convinced that a systematic collection and exchange of best practices at EU level would contribute to better corporate governance in listed companies. In this context, CEAOB's surveys and analyses on audit committees could be expanded.

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.

Strengthening corporate governance:

Both fraudulent actions by management or employees and misjudgements by management in connection with the going concern forecast have led to high-profile scandals in the past. Often, there have been calls for the auditors to be held responsible because they have allegedly failed to perform their duties adequately. In fact, corporate governance, i.e. "good corporate management", plays a decisive role in ensuring that fraud is prevented or detected and that the assumptions regarding the going concern premise are accurate and reliable.

Therefore, audit committees should increasingly monitor the quality of corporate reporting (including and incorporating financial and sustainability reporting) as well as the quality of the audit. To achieve this, they should collectively have the necessary expertise in relevant areas such as climate, environment, digitalization, and industry risks.

Reliability of statements:

The issuance of statements by legal representatives or those charged with governance must be taken very seriously. Incorrect statements made by management to the auditor should not be treated as a trivial offense and must be sanctioned appropriately. For example, the U.S. Securities and Exchange Commission (SEC) takes strict action against such misconduct, sending a clear message to potential accounting fraudsters.

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

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

c) The rules applicable to non-audit services

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

d) The rules on auditor/audit firm rotation

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

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

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

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

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.

The main problems are:

- The auditor has been the subject of regulatory action for decades: The Audit Regulation and Audit Directive 2014 have led to a massive increase in complexity in the audit profession. In many cases, the regulations were vague, first-time application issues remained unclear or in need of interpretation (e.g. rotation regulations). The AOB is still publishing pronouncements to make the regulations consistently applicable. Meanwhile, a patchwork of different member state implementations can be observed in Europe. A detailed analysis of the implementation is not yet available.

Currently, for example, 13 different mandatory rotation rules for audit firms are applied in 30 European countries. For larger international groups, this represents a burden in the selection of auditors.

- The role and responsibility of the statutory auditor remain unclear to some market participants. The informational value of the auditor's report is often overestimated and wrongly regarded rather as a guarantee that the annual financial statements are absolutely free of errors and that the audited company is fit for the future by a trustworthy external party.

Contrary to this expectation, however, the audit of the annual financial statements must extend to whether the statutory provisions have been observed. By issuing an audit opinion, the auditor confirms that the annual financial statements and accounting records comply with the legal requirements, but this does not imply a direct opinion on the economic situation of the company. Above all, the audit is not intended to detect fraud, but rather to identify inaccuracies and violations in the conscientious exercise of the profession.

- The recent regulations increased market concentration among auditors. Of the former 150 PIE auditors in Germany, only around 60 remain currently active. A further significant reduction as a result of the liability regulations is becoming apparent.

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 type="radio"/>	<input checked="" 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
V. Joint audits contribute to the quality of audit	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

2000 character(s) maximum

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

On the satisfaction of the auditor's role and the reliability of the auditor's work:

The existing professional standards for the profession are sufficient (esp. also the recognized principle of "professional skepticism"). The creation of additional requirements within the existing auditing standards is not helpful, for example, to prevent fraudulent actions. Rather, there should be clarification of the responsibility of the legal representatives and those charged with governance, and this should be distinguished from the auditor's responsibility, and the inherent limits of the audit of financial statements should be made clearer.

On the choice option:

We are currently not aware of any public interest entities that have not been able to find an auditor; nevertheless, auditor selection is increasingly difficult as a result of increasing market concentration.

On joint audits:

According to our observations, there are arguments both for and against joint audits. However, there is no clear evidence of an increase in audit quality due to mandatory joint audits.

A recent Dutch study entitled "Effects of and experiences with joint audit" also shows that mandatory joint audits do not necessarily lead to an increase in audit quality.

This is consistent with the results of a survey of 37 audit committee chairs in Germany. Among other things, it was found that joint audits neither improve audit quality nor reduce concentration in the audit market. Rather, an increase in audit fees of about 20% is expected, as well as significant additional time (for the audit committee and management). Respondents indicated that the potential increase in audit quality from joint audits justifies only in a few cases the potential increase in time and audit fees (Source: "Nicht immer hilft der zweite Prüfer" - F.A.Z.: <https://zeitung.faz.net/faz/wirtschaft/2022-01-24/ee5ada00ab092834ffe8c69dce8eef54/?GEPC=s5>).

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.

With regard to the aforementioned three audit quality problems, we do not see any need for action on the part of the EU legislator:

- If there are deficiencies in the internal quality control system of an audit firm, these are identified during the regular quality control and are regularly remedied during the quality control. Deficiencies often only concern adequacy deficiencies due to missing or incomplete regulations or findings in the area of engagement performance (focus on risk-oriented audit approach).

In Germany, corresponding regulations can be found in Section 57a et seq. of the German Public Accountant Act (WPO). The responsible Commission for Quality Control reports on the findings and measures of the German quality control. The German Audit Oversight Body (AOB) reports the results of its inspections in their separate annual report.

The review systems of the supervisors in the European Member States are organized very heterogeneously (peer review or inspections). Comparability is therefore only possible to a limited extent. If regulatory measures are being considered in this area, a complete inventory of systems and processes should be made.

- The lack of or inadequate monitoring of audited high-risk entities does not constitute a sub-area of the audit.

- With regard to the lack of audit evidence and audit documentation, the German legal regulations or professional auditing standards already provide sufficient regulations. If, for example, no audit evidence or audit documentation is available at all, the auditor's opinion must be withheld because the auditor is not in a position to issue an audit opinion. Intervention by the EU legislator is not necessary.

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

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

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

b) Strengthen the informational value of audit reports

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

c) Improve the internal governance of audit firms

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

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

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

e) Further harmonise the rules on mandatory rotation

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

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

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

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

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

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

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

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

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

In principle, we welcome the recent Directive proposal to establish a European Single Access Point (ESAP) for corporate data, which should make corporate reporting and transparency reports more easily accessible to the general public and thus significantly increase the value of reporting.

With regard to a future audit of sustainability reporting, we recommend that such services are classified as audit services.

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.

In Germany, a very high quality of statutory audits can be demonstrated:

Approximately 45,000 statutory audits are performed annually. However, thereof in 2020, the WPK had to impose only 24 disciplinary measures in the non-PIE area. In addition, 32 instructions, which are not qualified as disciplinary measures, were given to members of the profession („Belehrungen“).

These case numbers are an indication of the quality and functionality of the statutory audit system in Germany. Misconduct by auditors are rare individual cases which are identified and punished by the relevant supervisory authorities. For details, please refer to the activity report of the WPK's professional supervision at <https://www.wpk.de/neu-auf-wpkde/alle/2021/sv/berufsaufsicht-2020-zahl-der-erledigungen-rueckklaueuf/>.

Regarding individual proposals:

The proposal for disclosure of how the directors' statement on material fraud was reviewed by the auditor first presupposes that the management board itself issues such a declaration in the first place and that this is monitored by the audit committee. Only then a review can be carried out as part of the audit of the financial statements.

The German audit report is standardized by law for PIE and non-PIE (Section 321 of the German Commercial Code (HGB)) and is upgraded by supplementary national auditing standards to a very comprehensive information package. Additional information requirements are not necessary from a German perspective.

On the other hand, the rotation requirements should be harmonized to a reasonable level in the interest of all parties involved (however, no "race to the bottom").

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

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

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

d) The role of the CEAOB

	1 (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"/>

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.

Re a)

The way in which national competent authorities perform their tasks is still not harmonized. At EU level, we support further harmonization and improvement with the ultimate aim of enhancing corporate reporting and audit quality. For this, a detailed analysis is essential to identify the specific areas.

Re b)

The status, organizational structure and funding of national competent authorities vary widely across Europe.

Re d)

Further regulatory convergence in the EU would be preferable.

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.

Overall, we see the need for a proportionate system and regulation that creates a level playing field at EU /EEA level. However, our main view is that only those problems identified as systemic at EU level - if any - would require further regulatory action.

The main objective of inspections should be to improve quality rather than to initiate sanctioning procedures. Overall, the oversight system should not focus on punishment, but on creating an environment that ensures learning experiences and opportunities for the audit profession.

There is also a need for separation of powers (rulemaking/inspections/sanctions) to improve overall audit quality control. The regulatory burden for investigations and sanctions should be proportionate and not discourage audit firms, as this could lead to further concentration in the already highly regulated PIE audit market.

Further, it is important that inspections do not focus on formal compliance, but primarily on whether professional skepticism and judgment were properly applied during the audit. In addition, the time between an inspection and informing the auditor of the inspection result should have an appropriate upper limit so that the auditor can promptly initiate any necessary measures.

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

b) Increase the transparency of audit supervisors

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

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

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

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

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

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

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	<input 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 17.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of supervision of PIE statutory auditors and audit firms?

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

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

2000 character(s) maximum

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

We believe that it would be beneficial to foster and promote the exchange of best audit practices among European audit oversight bodies within the framework of the CEAOB. This would allow learning from each other and also promote convergence of audit and oversight in Europe.

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

2000 character(s) maximum

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

Re d)

We believe that each PIE should be required to establish an audit committee. Harmonized EU rules and standards for audit committees would be preferable and would improve the functioning of audit committees and the transparency of their work.

Re g)

The costs and practical difficulties (differences in law, language, and culture) that would be associated with establishing a European body to register and supervise PIE statutory auditors are significant. Adequate benefits are not apparent.

Part V - Supervision and enforcement of corporate reporting

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

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

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

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

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

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

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

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

2000 character(s) maximum

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

According to the ESMA report, a total of 729 reviews of IFRS financial statements were carried out in 2020 (examination rate 17%). Action was taken against 265 issuers to address material deviations from IFRS (action rate 38%, PY: 33%). Many deficiencies were identified in extremely complex areas of accounting such as financial instruments (15%), impairment of non-financial assets i.e. goodwill impairment (13%), revenue recognition (10%) and leasing (8%).

However, from the relatively high action rate of 38%, it cannot automatically be concluded that there is an equal need for action in all EU Member States, as the errors are distributed very differently:

In Germany, for example, only 7 issuers were deemed to require a public corrective note. In relation to the total of 409 German financial statements or a total examination of 59 financial statements, the action rate is only 1.7% (EU: 6.4%) or 11.9% (EU: 38%).

Therefore, it should first be analysed why very high error rates are reported in individual EU Member States.

In any case, the complexity and scope of International Financial Reporting Standards (IFRS) boosts a high error rate in financial reporting.

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

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

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

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

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input 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) Strengthen the rules ensuring the independence of national authorities or entities involved in the supervision of corporate reporting

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

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

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

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

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

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

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

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

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

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

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.

We suggest the following further measures:

Harmonization of the enforcement policies and activities of national competent authorities in EU legislation seems beneficial to us. This should include more transparency regarding their governance, independence, resources and results of enforcement activities.

In addition, there should be better coordination and cooperation between the various supervising bodies (in the areas of accounting, auditing, securities markets, etc.) within a jurisdiction.

It would be useful to maintain an open dialogue between national competent authorities, listed companies and the audit profession (both at the national and EU level) to clarify expectations and avoid conflicting interpretations.

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.

Ideally, national competent authorities should apply common methodologies and impose the same type of sanctions for comparable violations.

When increasing the resources of the national competent authorities involved in the supervision of corporate reporting, consideration should be given not only to financial aspects, but above all to personnel aspects.

Additional information

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

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

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)

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[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)

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