

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
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- English
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- 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

Ross

* Surname

Archer

* Email (this won't be published)

ross.archer@aicpa-cima.com

* Organisation name

255 character(s) maximum

Association of International Certified Professional 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.

404186345183-32

* Country of origin

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

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

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

* 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 |
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|---|-----------------------|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|
| 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. 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 type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. EU Added value: was and is EU intervention justified? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) Statutory audit

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

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|---|-----------------------|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|
| 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 type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. EU Added value: was and is EU intervention justified? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

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

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

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

d) Supervision by authorities of corporate reporting

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

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

You may want to consider the following aspects

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

2000 character(s) maximum

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

The corporate ecosystem has been under review for some time, with packages of reform differing across jurisdictions. This is now the opportunity to reflect on those reforms and lead on a holistic set of proposals that rebalance the corporate ecosystem and promote consistent high standards of corporate accountability, transparency and public trust. Maintaining the status quo or making minor adjustments to the current arrangements will be a missed opportunity. Looking to the future, a refreshed framework should be visionary and reflect the increasing focus on both financial and non-financial information. It should recognise that a strong corporate reporting framework doesn't start with audit. Directors, audit committees and investors have a primary role in championing transparency and enhanced accountability, with audit providing independent assurance, and Member State regulators upholding consistent standards. In our response we support the introduction of enhanced internal controls in keeping with (but not necessarily a direct adoption of) the US Sox regime; evidence clearly demonstrates that the benefits of more reliable, better quality corporate reporting, audit and assurance has outweighed any initial perceptions of burdens on business. There are three design statements that we believe are critical to ensuring there is a holistic corporate governance and reporting framework which is relevant, proportionate and fit for the future: 1) Many PIE companies are global; 2) Auditors do not own, control or manage PIEs; 3) Corporate failures are a normal part of corporate lifecycle. The EU framework for corporate governance and reporting supervision is strong on principles and concepts but has not achieved its full potential. Focus should be on consistency, rather than simplification. Future measures should drive consistency between Member States, promote and demand strong corporate buy in (PIES and wider stakeholders), and deliver a harmonised approach to enforcement.

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.

Overall, the impression of quality and reliability of corporate reporting by PIEs across the EU has been good. There are nearly 5,000 listed entities in the EU and corporate failure is rare, and exceptional. In 2020, only 0.1% filed for bankruptcy, in a year where the financial and operational pressures on business were unprecedented. Corporate failure is part of free markets, but if the quality and reliability of corporate reporting was poor then this might impact on investor confidence, public confidence, and ultimately the rate of corporate failure might have been far greater. Nevertheless, the current framework majors on corporate reporting of financial information. We would encourage the Commission to reflect on the increasingly important role that corporate reporting of non-financial information is likely to have, and in particular the expectation that sustainability reporting will form a core part of the future of corporate reporting. As we set out below, these reforms will also impact on the work of ESMA, CEAOB and national regulators and they will need to be prepared for increased sustainability reporting within a revised corporate reporting framework. The quality and reliability of financial and non-financial information starts with the entity itself. Members of the global accountancy profession can play a vital role to support the businesses in which they work to embrace the future of corporate reporting.

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

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

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

2000 character(s) maximum

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

We are supportive of having a suite of indicators to allow stakeholders to assess the effectiveness and quality of corporate reporting and audit. Yet, there is a global dimension to this debate. PIEs which will be subject to the new framework are likely to have assets, activities and reporting requirements in many jurisdictions including outside of the EU. There is a growing global focus on audit quality indicators, with the debate being led initially by the PCAOB in the US, and the FRC and the Audit Committee Chairs Independent Forum in the UK (the latter includes our members). Perhaps a core set of quality indicators can be achieved, thus allowing the Commission to determine if current practices in other jurisdictions can be recognised in its programme. This would ensure that any final proposals can be embraced by PIEs, their audit committees and auditors. We remain mindful of the need to ensure that audit quality is supported by responsible regulation and supervision (see our comments below). Supervisors ought to be able to articulate what it considers as good practice, and examples of strong audit quality. Reforms won't end corporate failure. There is a danger of conflating corporate failure with audit quality/poor corporate reporting. The two are not synonymous. There are often internal and external factors that contribute to the corporate failures. Lessons are to be learned from failure and disruptions can provide increased innovation, but government and regulators cannot erase the risk of corporate failure. Naturally PIEs are economically significant. Corporate failure should be the exception but when it occurs it is rarely unheralded. Provided the quality of corporate reporting remains good, a framework which provides for an early regulatory response to market intelligence or corporate reporting concerns is key.

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

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

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

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

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.

There is a need to introduce a stronger internal controls framework in PIEs which we have said earlier in our response. The Commission will wish to give consideration to the shape of any such framework, but given the global dimensions of many of the relevant PIE companies, consideration should be given to something that includes similar characteristics to the framework set out in Section 404 of the Sarbanes Oxley Act in the US. We recognise the Commission would want to ensure any framework has been tailored to meet the EU requirements. Note: The Sarbanes-Oxley Act (SOX) requires (1) the management of public companies assess the effectiveness of the internal control of issuers for financial reporting and (2). the public company's auditor to attest to, and report on, the management's assessment of its internal controls. There is much to recommend this framework, with independent research, regulators, public company management, auditors and investors being able to speak to the many benefits, not least improved financial reporting and greater transparency regarding the effectiveness of internal control. Evidence from judications that have stronger mandated internal control frameworks show that the benefits via less company restatements and better financial management far outweigh any additional regulatory cost or burden. Figures from the US show that since the introduction of a stronger internal controls environment via SOX there has been less corporate failure. Figures from the Center for Audit Quality found that the number of restatements announced per year by SEC-registered companies has fallen significantly since the early era of post-SOX implementation. We would be pleased to meet with the Commission policy team to share our insights (with the support of our colleagues who have direct experience of internal controls), so as to help shape and inform their considerations of this critical, and important reform measure,

See also 5.1.

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

2000 character(s) maximum

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

We agree that looking at the issues of corporate governance, audit and supervision in a holistic manner is a positive way forward. The EU may consider facilitating global coordination and cooperation on governance and audit quality. There is much to be learned from other jurisdictions for example through the Corporate Governance Network. Global regulatory fragmentation is a danger that will exist if the European Model of Governance becomes too divergent from that of other nations.

There is strong evidence from countries that have stronger internal controls frameworks that since implementation companies that have to comply with them see improvements in their internal controls and that there are fewer financial restatements both in terms of scale and cost. Experience from other jurisdictions also shows this far offsets any increase in audit costs from assurance on said internal controls. For example, a study by the Journal of Accountancy looking at the internal controls framework in the US analysed the cost/benefits for business being exempt from the SOX regime. It found that there is a strong case for internal controls over financial information, and an equally strong case for auditor assurance over the management's assessment of the strength of those controls.

We strongly believe that there is an opportunity for the EU to create an internal controls framework in the EU that supports a global vision for the the future of corporate reporting, having regard to the increasing importance of financial and non-financial information in building trust in business and promoting strong and vibrant capital markets. We would encourage the EU to seize this opportunity, and recognise the important contribution that strong internal controls, and auditor attestation could make to ensuring high quality corporate reporting and audit of PIEs.

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

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

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

2000 character(s) maximum

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

All of those different bodies and groups identified in Question 5.2 have an important role in improving corporate governance, reporting and audit. The impact of each does depend, but as reforms come forward, they should be focused on improving the whole corporate eco-system – corporate governance, reporting and audit. All the groups identified above will have some involvement.

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

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

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

2000 character(s) maximum

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

We support European sustainability ambitions and note that in the transition to a green economy, disclosure of sustainability-related information by companies is crucial to decision making. These disclosures should demonstrate the impact that the organisation has on its environment as well as how sustainability factors impact business decisions and business models. This information then gives investors the opportunity to divert capital appropriately. Disclosure of the risks organisations face as well as the threats they pose to people and the environment is also key. Our management accountants play a key role in supporting organisations in the process of disclosing reliable sustainability-related information and on leading change by ensuring boards act on the information. Having said this, EU additions to global standards to meet its public policy goals should be aligned to global standards set out by ISSB. To reduce and simplify reporting burdens, integrated financial and sustainability global reporting standards and assurance are a crucial aspiration.

Digital is a growing area for many businesses and an area of priority for the EU Commission. The framework should be reviewed to ensure it is aligned to the growing importance of digital. Any areas of regulation that can be simplified is a positive and supports businesses with complying with regulations and not being over burdensome by new regulations and directives.

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 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"/> |

b) Liability of company boards for reporting

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

c) Obligation to establish an audit committee

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

d) Rules on the composition of the audit committee

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

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

You may want to consider the following aspects

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

2000 character(s) maximum

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

We would highlight the importance of the audit committee in its oversight of internal controls and reporting. Specifically, this means the committee members have the right competencies and expertise in management accounting and business leadership. We believe that there is an opportunity in this reform to bolster the role of the audit committee in terms of sustainability reporting, wider corporate reporting and decision making. The Audit Committee should also have independence of mind and the ability to remain firm against Board pressure. This can often be achieved through membership of an independent professional body. There is scope to improve information on how audit committees discharge their responsibilities, perhaps through example behaviors. We would point to improvements in Audit Committees that could be made as outlined by IFAC's 2019 report. <https://www.ifac.org/knowledge-gateway/supporting-international-standards/discussion/5-key-factors-enhance-audit-committee-effectiveness>. Current regulations require audit committees to have one member with accounting and auditing competencies. More could be done to give directions on what those competencies are. This could be to state that a member of the committee must be part of a recognized accounting or auditing professional body. This would mean that a member of the audit committee would be regulated by that professional body and be required to stay informed of the latest reporting, auditing, or accounting practices through mandated continuing professional development that is often required as a member of such a body. This is required to be a member of the Association. At present only one member of the audit committee needs to have this experience, more could be done so there are more members of the committee with these skills. This would ensure better scrutiny of corporate reporting, governance and auditor selection and internal controls. Audit committee independence is crucial, and this should be enhanced.

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

- 1 - Not at all
- 2 - To a limited extent

- 3 - To some extent
- 4 - To a large extent
- 5 - To a very large extent
- Don't know / no opinion / not applicable

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

2000 character(s) maximum

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

We would emphasise the importance of risk management as a critical part of corporate governance. The financial services sector is a leader in this respect. In the United States there is the COSO framework <https://www.coso.org/Pages/default.aspx> which can help to manage risks.

The COSO Framework is used around the globe and is widely accepted as the most comprehensive principles-based internal control framework. The COSO Framework covers five components (Control Environment, Risk Assessment, Control Activities, Information & Communication and monitoring) and provides 17 principles covering those five areas regarding internal control and guidance regarding the design and implementation of the principles. As an example, the COSO Framework is used by issuers in the U.S. to assess their internal control as well as auditors in evaluating a company's internal control. The concepts in the COSO Framework could easily be applied to the EU.

We believe that there is scope for Company Boards to better assess their risk appetite but that this should be developed through skills and training and through the use and sharing of voluntary risk frameworks.

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

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

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

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

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

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

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

k) Strengthen the role of shareholders on corporate reporting

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

Question 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.

The audit committee could be mandated or encouraged to have more than one member with accounting and auditing competencies. More members of the audit committee with this experience and skills will help improve scrutiny of audits and internal controls and lead to better corporate outcomes via improved corporate reporting and governance.

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.

The focus of this consultation and the direction in the EU appears very much focused on audit. Audit is not the first phase of the corporate ecosystem. It is the last phase. Of course, the audit is vital to improving corporate reporting and governance, but we believe that in order to improve corporate governance and reporting, enhanced focus must be on improved internal controls within PIEs. Companies do not fail alone because of a poor audit, clearly something internally has gone wrong too and that is where a strong internal controls environment and framework can help spot and manage these issues.

As we have said answered in Question 5 above, there is a clear need for a stronger internal controls environment, which will help improve corporate governance and reporting. The US model could be explored, and adapted for the EU. Since the stronger internal controls environment came into force in the US in 2004 the long-term evidence shows there have s been fewer restatements by US companies that have to comply with Sarbanes Oxley section 404. This shows that a stronger internal controls environment, in which directors have to report on and then have that attested, does lead to better corporate outcomes.

Part III - Statutory audit

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

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

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

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

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

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

c) The rules applicable to non-audit services

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

d) The rules on auditor/audit firm rotation

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

| | | | | | | |
|--|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| framework 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"/> |

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 type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" 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 financial statement audit is an international product, providing independent assurance that the management has prepared the financial statements on a true and fair basis, which are free from material misstatement. Auditors gain an in-depth knowledge of the business operations, financial controls, key risks, strategy/delivery and culture. Whilst the auditor independence rules are necessary to maintain their objectivity (and are well developed), auditors are often best placed to provide other assurance services and we would encourage further consideration to be given to the future range of permitted non-audit services which can be carried out by an auditor in light of the increasing call for future assurance over non-financial information. The increasing expectations of stakeholders, and their interests in financial and non-financial information, is likely to prompt a review of the role and purpose of audit. This exercise has already been undertaken in several countries, and we would encourage the Commission to also reflect on the outcome of those reviews, and consider the potential impact on the audit pillar going forward. Within the EU, we understand that the provision of regulatory “options” led to a number of different regulatory framework variations. In evidence, we refer to research work undertaken by Accountancy Europe which indicates that there are 13 different regimes. As we have highlighted, many of public interest entities are global operations, trading in multiple jurisdictions within the EU, and outside it. Whilst the Commission cannot influence the role, purpose and scope of audit beyond the EU, it has a pivotal role to play in ensuring the companies, auditors, stakeholders and even regulators can operate under a clear and consistent framework which promotes consistency, minimises the operational and financial impact on global business, whilst continuing to meet the requirements of stakeholders and the public.

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

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

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

2000 character(s) maximum

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

The primary responsibility for corporate reporting of PIEs does not rest with the auditors. Reference is often made to the audit expectation gap but the Commission has rightly identified that high standards of corporate governance and reporting starts with the company and its directors. Statutory audits make an important contribution to the quality and reliability of corporate reporting by PIEs, but more needs to be done to ensure that companies embrace and recognise the significant benefits of enhancing their existing reporting obligations. Directors, audit committees and investors have a primary role in championing transparency and enhanced accountability, with audit providing independent assurance, and Member State regulators upholding standards on a consistent basis. PIE companies and auditors have openly admitted that more can be done to improve corporate reporting, and audit quality. Auditors will play a very important role but they are not the only actor on this particular stage, and we make reference to our earlier comments in relation to the role of directors, audit committees and investors, and our support for additional measure which would promote strong corporate reporting. See also our response to Question 13 below. Joint audits might improve competition but there is no evidence that they will, of itself, improve audit quality. We recognise that certain Member States have a long-standing experience of joint audit. In those countries the regime is mature, and well understood (with appropriately aligned auditor liability arrangements). We would not support the introduction of joint audits across the EU and if we reflect on the current UK debate, it is increasingly clear that competition is unlikely to be resolved without measures designed to improve capacity within the audit firms (it would be wrong to present the barrier as merely one of capability). The attractiveness of PIE audit remains a consideration, and audit supervisors have an important role.

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.

Research provides evidence that enhanced internal controls of financial information, together with attestation, can deliver demonstrable and significant benefits for corporate reporting, PIEs, shareholders and stakeholders. This enhanced reporting regime is only presently implemented in the US, and despite the initial resistance on the grounds of cost, evidence shows that it has led to real benefits for business, and the quality of corporate reporting. In the same context, the PCAOB has provided a strong supervisory presence. Yet, there are other reasons for the deficiencies in the current supervisory framework. The fragmented implementation of supervision across the EU has failed to encourage a clear, consistent approach to defining and measuring audit quality; not only for audit committees but also for auditors, and importantly how it is subsequently supervised across the EU competent authorities. A consistent EU framework which is clearly articulated for PIEs and their auditors would create a strong platform for improving audit quality. In keeping with our earlier comments around the global dynamics of PIEs, as well as the financial statement audit, the optimum outcome would involve an approach which is broadly consistent with other jurisdictions but also sets the future direction of travel. In this context, we would expressly refer to the significant work undertaken by the PCAOB relating to the early development of Audit Quality Indicators, as well as the current focus on the development of AQIs by the UK FRC. We encourage the Commission to develop a consistent AQI framework for all EU Competent Authorities, which reflects the key outputs and audit judgements. There has been much discussion and debate in the context of the UK white paper about the benefits of improvement regulation. The proposals appear to have lost momentum, and the EU is best placed to redefine the future of audit regulation/supervision and promote strong audit practices and quality.

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

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

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

e) Further harmonise the rules on mandatory rotation

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

d) A holistic approach to fighting fraud involves directors, management, internal auditors, and external auditors. While auditors could assure 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, it would be far more effective if auditors evaluate all internal controls over financial reporting (not just those controls/actions to prevent and detect fraud). In this response, we have strongly advocated for enhanced internal controls over financial information. The Sarbanes-Oxley Act 2002 had in mind combating fraud, improving the reliability of financial information and restoring investor confidence. Some 20 years later, and despite the perceived set up costs of implementation, the benefits of the legislative framework are well documented (including many consequential unintended benefits for business) SOX Section 404(b) requires a publicly held company's auditor to attest to, and report on, management's assessment of its internal controls. Subsequent rulemaking in the US has made Section 404(b) applicable to a certain subset of issuers. A similar approach, adapted for the EU context and introduced via a director's statement (or board level statement), on internal controls is commended to the Commission for its consideration. A 2017 report by titled "Internal Control Weaknesses and Financial Reporting Fraud", by Auditing: A Journal of Practice & Theory found that weaknesses in entity-wide controls as opposed to process-level controls are associated with a higher risk of reporting fraud. Companies with a material weakness are, on average, 1.24 to 1.54 percentage points more likely to have a future fraud revelation. This research also found that SOX Section 404(b) provides a potential benefit of an early warning system for future fraud revelation. Please see our response to 12.1 above.

See also our response to 14.1.2 below.

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.

b) The financial statement audit complements the global dimensions of both the operational activities of most PIEs, investors and the capital markets. Global consistency will ensures that the cost for business is proportionate. It is desirable (and we would argue vital) for the content of the audit report to remain consistent across jurisdictions. Yet, our response acknowledges the growing relevance of non-financial information for investors, and the vital role that auditors can fulfil in providing an equally independent assurance on future sustainability reporting. c) We note that in the UK the Big 4 audit firms have already agreed and enacted an operational split on a voluntary basis. There is limited evidence that internal

governance of audit firms impacts directly on audit quality, or on audit supervision. Measures to reconfigure an audit firm's internal governance in jurisdictions outside the EU could be said to have been driven by perception rather than any evidence-based analysis. It is important to recognise that PIEs are often very complex, requiring a range of skills and expertise from across the multi-disciplinary firm. Likewise a firm's ability to engage within any global or territorial network supports and enhances audit quality. The Commission will be keen to avoid any measures which could lead to the unintentional consequences for the long term success of its reforms. f) The evolution of the corporate reporting framework, and the role of the auditor is critically important. We would not support any further restriction on the provision of non-audit services which prevented appropriate and relevant assurance services being offered by the audit/audit firm in relation to, for example, future sustainability reporting. i). The introduction of enhanced internal controls over financial information, and attestation, may require skills and expertise of auditors based outside of the EU. In principle, we would support a passporting system for PIE auditors.

Part IV - Supervision of PIE statutory auditors and audit firms

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

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

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

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

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

c) The Member State systems for investigations and sanctions

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

As outlined in earlier responses, the range of Member State options leads to a fragmented implementation of the current pillars. The provision for Member State based supervision activities is consistent with the

foundations of the EU. As outlined elsewhere in the response, the harmonised implementation of the EU corporate governance, reporting and audit supervision frameworks would likely deliver consistent standards and outcomes, and provide much needed clarity for PIE entities and the auditors.

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.

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

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

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

b) Increase the transparency of audit supervisors

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

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

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

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

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

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

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

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

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

a) Specifically in the context of the future resources of audit supervisors, there is a growing demand for professional accountants and auditors across business and professional services firms. To command the respect of the regulated population, supervisors will need to be able to attract talented individuals with the necessary skills and expertise to support the EU's ambitions.

Please see our comments in relation to 13.1 above insofar as it promotes the benefits of increased consistency of audit supervision across the EU Member States, and most importantly, the opportunity for the Commission to lead on a revised framework which fully embraces the benefits of improved regulation in order to achieve high standards of audit quality and audit regulation.

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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

The current framework for corporate governance and reporting supervision is strong on principles and concepts, but it has not achieved its full potential. Focus should be on consistency. This will encourage strong corporate buy in and deliver a harmonised approach to enforcement of corporate governance and reporting of financial and non-financial information. PIEs are often global bodies with operations and activities in many parts of the world that all impact on their quality and reliability of reporting. What has worked elsewhere to improve audit quality, internal controls, good corporate governance and ultimately PIE reporting should be looked at. Also, there needs to be an awareness that PIEs have to comply with reporting and auditing regimes elsewhere and any new measures that come forward should take these into account. The EU should look at how ESMA and its other agencies involved in audit and corporate reporting can work better alongside other global bodies in the same space. This would support a better corporate eco-system globally which many EU PIEs work in. ESMA and the CEAOB must have the appropriate powers and resources to monitor and enforce future frameworks. EU CSRD has proposals to increase the number of PIEs. It follows that the corporate governance and reporting requirements will apply to some new PIEs. Globally there are many different definitions of PIEs. The UK plans to extend the scope of regulatory requirements for PIEs, taking many companies to “another level” of supervision. The treatment of an entity as a PIE (and the eligibility criteria and timeline) needs careful consideration. The UK has consulted on a range of options. South Africa has already adopted a points system to determine PIEs with points awarded based on different criteria. Please see answer to Q19.2 for further information on PIEs.

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.

Continued from 19.1.1: The transition of an entity into the new PIE governance and reporting regime (and the ability for an entity to be able to transition out of it again) will be important to ensuring future clarity and support from business. We would encourage and support a phased implementation timetable.

As we have stated earlier in this report, the growing importance of sustainability reporting needs to be considered. We have stated earlier that good corporate governance and reporting involves the whole corporate eco-system – the financials and the non-financials. Therefore, we believe that any reforms that come forward on supervision of reporting by PIEs must be on the whole of corporate reporting with sustainability included.

A number of the above questions involve better exchanging of information, co-ordination and clarifying roles and responsibilities between different EU and member states bodies involved in auditing and corporate reporting. These measures will help improve the supervision of corporate reporting and it should be clear to a PIE who is regulating and supervising what aspects of corporate reporting.

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

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[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)

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Contact

fisma-corporate-reporting@ec.europa.eu

