



THE EU REGULATORY FRAMEWORK ON STATUTORY AUDIT

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The content of these slides is subject to further development of the acquis and interpretation by the Court of Justice of the European Union



The EU Audit Reform

- **Objective – increase audit quality and auditors’ independence**
- **Structure - two pillars:**
 - **A Directive amending Directive 2006/43/EC**, horizontal measures, applicable to all statutory audits
 - **A Regulation setting up stricter requirements for the statutory audits of public interest entities (PIEs)**, i.e.:
 - listed companies,
 - credit institutions,
 - insurance undertakings,
 - and other entities designated as such by Member States

Key Measures 1/2

Horizontal measures applying to all statutory audits:

- **Stronger requirements on auditor independence**
- **More informative audit report**
- **Reinforced competences of the competent authorities**
- **More effective sanctioning regime**
- **Competence conferred on the Commission to adopt the International Standards on Auditing (ISAs) at EU level.**

Key Measures 2/2

Stricter requirements on the statutory audit of PIEs:

- **Mandatory rotation of audit firms**
- **List of prohibited non-audit services**
- **Cap on the fees** charged for non-audit services
- **Reinforced role for the audit committee**
- **Strengthened requirements on the audit report**, along with **an additional, more detailed report**, to the audit committee



Public Oversight

- **National audit oversight strengthened** (one competent authority at national level)
- **Competent authorities can delegate tasks**, subject to conditions
- **Ultimate responsibility** to the **national** competent authority
- **Reinforced oversight cooperation** at EU level (e.g. the creation of the CEAOB)

Delegation of tasks 1/2

- **Oversight of all statutory audits** – delegation possible for all tasks

- **Oversight of PIE audits** – delegation not possible for:
 - ❖ Quality assurance system

 - ❖ Investigations

 - ❖ Sanctions and measures

Delegation of tasks – Conditions 2/2

- The delegation and the conditions should be specified
- The competent authority can reclaim the delegated competences
- Authorities or bodies to be organised to avoid conflicts of interest
- Commission to be informed of any arrangements related to the delegation of tasks (for PIE audits)

New rules for the sanctioning regime

➤ **Common minimum standards**

- ❖ Types and addressees of sanctions
- ❖ Criteria
- ❖ Publication
- ❖ Whistle-blowing



International Standards on Auditing - ISAs

- Competence conferred on the Commission to adopt ISAs subject to some conditions
- No specific deadline for adoption
- Possibility for the Member States to apply national auditing standards as long as the Commission has not adopted the ISAs
- Possibility for the Member States to add on to the ISAs subject to some conditions



Improving oversight coordination at EU level

➤ **Committee of European Audit Oversight Bodies (CEAOB)**

- High level representatives of national oversight bodies and ESMA
- Three annual plenary meetings
- Five sub-groups working on substantial issues: international equivalence and adequacy, international auditing standards, enforcement, inspections and market monitoring



STUDY ON AUDIT DIRECTIVE AND REGULATION

Scope and main tasks of the study:

The Study provides data and analysis on the implementation of measures for:

1. an enhanced transparency for investors;
2. independent PIE auditors and higher competition in a very concentrated market dominated by the 'Big Four';
3. a strengthened pan-European supervision; and
4. The costs of assurance services provided by auditors.

Main conclusions of the study

1. Transparency for investors

Overall, audit reports for PIEs and audit committee reports comply with the relevant reporting requirements.

However, in a number of important areas the compliance level is significantly lower.

Main conclusions of the study (2)

2. Independent PIE auditors and higher market competition

Split views on whether there is an increase in the independence of auditors (in all categories of stakeholders)

Those that saw an increase in the independence viewed that this was due to the restrictions on NAS and the mandatory rotation

Level of concentration in the PIE market is still very high with limited to no evolution in recent years

Main conclusions of the study (3)

3. Supervision

Significant differences in the national implementation in several areas:

- institutional set up
- level of resources
- powers and responsibilities
- outcome of inspections and investigations
- available sanctions in national law
- number and amount of imposed sanctions

Overall, improved independence of the national competence bodies vis-à-vis the profession.

Main conclusions of the study (4)

4. Audit fees

Indications of changes as a result of the rotations, but weak, very much depending on the type of companies and audits examined

No significant increase of PIEs audit fees following the introduction of the Audit Directive and Regulation, although increased requirements

Fee changes from 2015 (prior to the Reform) to 2018 show a high disparity across Member States and activity sectors

Costs are lower for non-PIEs than for PIEs in most Member States due to the additional requirements that audits of PIEs need to comply with

General conclusions and further context

Requirements implemented differently across Member States, leading to challenges for companies operating across borders due to complexity and fragmentation.

Some progress towards the achievement of the Reform's objectives (with the exception of the competition one).

Some measures (e.g. rotation, fee cap) require a lengthy implementation period, study performed at an early stage of materialization; further developments might take place.



CSRD ASSURANCE REGULATORY FRAMEWORK



Assurance of sustainability information

Undertakings subject to sustainability reporting to obtain an assurance opinion on their sustainability statement.

The assurance opinion based on a limited assurance engagement as regards the compliance of the sustainability statement with:

- ✓ the CSRD sustainability reporting requirements (including with the ESRS, the process carried out by the undertaking to identify the information reported pursuant to those ESRS, the requirement to mark-up sustainability reporting); and
- ✓ the reporting requirements provided for in Article 8 Taxonomy Regulation.

Assurance services providers

The assurance opinion to be expressed by :

- ✓ the statutory auditor auditing the financial statements of the relevant undertaking
- ✓ a statutory auditor other than the one auditing the financial statements (where allowed by a Member State)
- ✓ an Independent Assurance Services Provider “IASP” (where allowed by a Member State)

If a Member State allows IASPs, it shall also allow a statutory auditor other than the one(s) carrying out the statutory audit of financial statements.



Sustainability assurance standards

The assurance of sustainability reporting must be carried out in compliance with limited assurance standards to be adopted by the Commission by 1 October 2026.

The Commission is empowered to adopt sustainability assurance standards for reasonable assurance by 1 October 2028, following an assessment to determine if it is feasible for the market.

Member States may apply national assurance standards as long as the Commission has not adopted an assurance standard covering the same subject-matter.



***THANK YOU
FOR YOUR ATTENTION***

Questions?