



THE EU REGULATORY FRAMEWORK ON STATUTORY AUDIT

**Explanatory Meeting of Chapter 6
with Albania and North Macedonia
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**FISMA.C1 Corporate Reporting, Audit and Credit Rating Agencies
DG Financial Stability, Financial Services and Capital Markets Union
European Commission**

These slides accompany the explanation of the acquis to Albania and North Macedonia and can only be used for that purpose. Their content 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 continue applying 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

***THANK YOU
FOR YOUR ATTENTION***

Further questions:

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