

19 May 2021

Responses to the Targeted Consultation on Supervisory Convergence and the Single Rulebook

Dear Sirs,

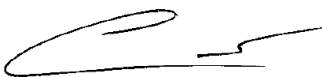
The Committee of European Audit Oversight Bodies (CEAOB) appreciates the opportunity to comment on the European Commission's public Targeted Consultation on Supervisory Convergence and the Single Rulebook published on 12 March 2021.

The content of this response reflects matters agreed within the CEAOB. It is not intended, however, to include all comments that might be provided by the individual regulators that are members of the CEAOB and their respective jurisdictions.

Our responses to the questions which we selected in the consultation document are presented hereafter. They are focused on the issues raised in the consultation related to Directive 2006/43/EC (Audit Directive) and Regulation 537/2014/EU (Audit Regulation) and to the role of ESMA in this regard.

We look forward to providing any further input over the development of this project. Please feel free to contact us, should you need any further information about the content of our responses to the consultation.

Yours faithfully,



Patrick Parent
Chairman

Public consultation on the targeted consultation on supervisory convergence and the single rulebook

CEAOB responses to selected questions in the EC consultation

Question 5.6: Would you consider it useful if the ESAs could adopt guidelines in areas that do not fall under the scope of legislation listed in Article 1 (2) of the ESAs founding Regulations and are not necessary to ensure the effective and consistent application of that legislation?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not relevant

Please explain your answer to question 5.6:

See below our responses to questions 5.6.1 and 5.9

Question 5.6.1: If you think of the Wirecard case as an example, how could supervision be improved in the field of auditing and financial reporting?

The Committee of European Audit Oversight Bodies (CEAOB), established under article 30 of Regulation 537/2014, and comprising of the National Competent Authorities for Audit in the European Union and the EEA, would like to share the following thoughts and observations:

With respect to the Wirecard case, it is important to note that the competence for investigation into the audit lies with the national regulator in charge, and we understand that the investigation is still ongoing. For that reason, it has not yet been concluded if there were shortcomings in the audit, the audit firm's quality management or in audit supervision that played a role in the situation, let alone what the relevant root causes were. This makes it difficult to determine at this stage how to prevent similar situations from occurring again through new legislation or other relevant changes.

As CAOAB, we stand ready to further discuss and develop ideas with the EC about how to improve the cooperation between European NCAs as well as with the ESAs, amongst others by enhancing legal possibilities to cooperate and communicate.

The CAOAB should be strengthened in a manner that is responsive to the general public interest within the European Union. The CAOAB unites the independent public audit oversight authorities in the EU and EEA. The current participation of CAOAB in work streams regarding IAASB, NFRD, Brexit, COVID-19 impact – confirms and justifies the need to actively involve CAOAB in all matters associated with audit. For this reason, the CAOAB should be involved in the development of any further proposals regarding audit and

auditors/audit firms. The actions at EU level in the abovementioned matters should have a strategic and long-term character and not be limited to responses to singular incidents.

In considering further improvements, the CEOAB is of the view that the following areas are the most topical:

- Transparency on audits and on supervision, including outcomes from inspections and investigations
- Harmonization between Member States, both in the area of supervision and oversight, and in rules which are applicable to audits, auditors/audit firms and audit clients
- Competences and resources given to individual NCAs and to the CEOAB

The CEOAB also wishes to stress the importance that any proposals should take into account the roles and responsibilities from all parties involved in the financial reporting process.

Question 5.9 Do you think that ESMA could have a role with regard to Directive 2006/43/EC (Audit Directive) and Regulation 537/2014/EU (Audit Regulation)?

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not relevant

Please explain your answer to question 5.9:

The CEOAB would like to point out that ESMA already plays a significant role under the Audit Directive and Regulation. By virtue of Regulation 537/2014/EU, ESMA is a Member (without voting rights) of the CEOAB, and ESMA is designated to chair the CEOAB's subgroup on Adequacy and Equivalence.

The CEOAB has made outreach to ESMA in order to further improve the cooperation between the two Bodies, mindful of their respective roles. Likewise, the CEOAB is enhancing its outreach to the other Authorities as well.

The expertise, knowledge and experience in the area of audit and auditor oversight lies with the CEOAB and its members. A change to the current organization might have unintended consequences, as the activities of the ESAs currently all focus on capital markets, whereas audit oversight also covers the area of non-Public Interest Entity audits, which concerns an entirely different group of companies. Therefore, rather than considering a stronger role for ESMA in the field of auditing, the CEOAB advises to further improve coordination with the existing ESAs and to consider improving the CEOAB's own and its members' capacities and legal competences.