EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL MARKETS UNION

Financial markets
Corporate reporting, audit and credit rating agencies

CONSULTATION DOCUMENT

STRENGTHENING OF THE QUALITY OF CORPORATE REPORTING AND ITS ENFORCEMENT

Disclaimer

This document is a working document of the Commission services for consultation and does not prejudge the final decision that the Commission may take.

The views reflected on this consultation paper provide an indication on the approach the Commission services may take but do not constitute a final policy position or a formal proposal by the European Commission.

You are invited to reply **by 4 February 2022** at the latest to the **online questionnaire** available on the following webpage:
https://ec.europa.eu/info/publications/finance-consultations-2021-corporate-reporting_en

Please note that in order to ensure a fair and transparent consultation process **only responses received through the online questionnaire will be taken into account and included in the report summarising the responses**.

This consultation follows the normal rules of the European Commission for public consultations. Responses will be published in accordance with the privacy options respondents will have opted for in the online questionnaire.

Responses authorised for publication will be published on the following webpage: https://ec.europa.eu/info/publications/finance-consultations-2021-corporate-reporting_en

Any question on this consultation or issue encountered with the online questionnaire can be raised via email at fisma-corporate-reporting@ec.europa.eu.

INTRODUCTION

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 five 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.

CONSULTATION QUESTIONS

1. 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[1].

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

- **Corporate governance**:
  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

- **Audit**:
  The requirements for a statutory audit of the annual accounts to ensure that there are no material misstatements

- **Supervision**:
  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	1-5

1 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.

importance of the information contained therein compared to other sources of information? On a scale of 1 (low) to 5 (high)	

Question 2. On a scale of 1 (low) to 5 (High), 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?

Areas	**I.** **Effectiveness in reaching its objectives**	**II.** **Efficiency: has the framework been cost efficient**	**III. Relevant in terms of overall needs and objectives**	**IV.** **Coherence with other related EU frameworks / internal coherence**	**V.** **EU Added value – Was and is EU intervention justified?**
a) Corporate governance	1-5	1-5	1-5	1-5	1-5
b) Statutory audit	1-5	1-5	1-5	1-5	1-5
c) Supervision by public authorities of statutory auditors/audit firms	1-5	1-5	1-5	1-5	1-5
d) Supervision by authorities of corporate reporting	1-5	1-5	1-5	1-5	1-5
e) The eco-system composed of all of the above	1-5	1-5	1-5	1-5	1-5

Question 2.1 Please describe the main issues that you see, if any, in the four areas mentioned in the table above. 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?

[textbox]

Question 3.

The ESMA report on Enforcement and regulatory activities of European enforcers in 2020[2] 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.

Based on your own experience how do you assess the quality and reliability of corporate reporting by listed EU companies on a scale of 1 (low) to 5 (high)?	1-5

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.

[textbox]

[2] https://www.esma.europa.eu/sites/default/files/library/esma32-63-1101_enforcers_2020_activity_report.pdf

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 on a scale of 1 (strongly disagree) to 5 (strongly agree)?

Questions	**Scale**
Would it be useful to have specific indicators to measure the quality of corporate reporting, of statutory audits and the effectiveness of supervision?	1-5
Is it possible to have clear and reliable indicators to measure the quality of corporate reporting, of statutory audit and the effectiveness of supervision?	1-5
Should the European Commission develop indicators on the quality of corporate reporting, of statutory audits and the effectiveness of supervision?	1-5

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.

[textbox]

Question 5. In your view, should the Commission take action in the areas of the

- **corporate governance pillar**
- **statutory audit pillar**
- **supervision of PIE auditors and audit firms**
- **supervision of corporate reporting**

to increase the quality and reliability of reporting by listed companies?

- Yes, there is a need to improve **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

Please indicate on a scale of 1 (strongly disagree) to 5 (strongly agree) 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:

Improve the corporate governance pillar	1-5

Improve the statutory audit pillar	1-5
Improve the supervision of PIE auditors and audit firms	1-5
Improve the supervision of corporate reporting	1-5
Improve all of the above in a coordinated manner	1-5

If you think there is a need to improve other areas than those listed above please indicate which areas you have in mind:

[textbox]

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.

[textbox]

5.2 If you responded that you think that there is a need to improve the quality of corporate governance, audit, audit supervision and/or supervision of corporate reporting, at what level should action be taken, rating the relevance of each level on a scale of 1 (strongly disagree) to 5 (strongly agree)?

Companies themselves should take action to improve their reporting	1-5
Auditors themselves should take action to improve audits	1-5
Audit supervisors themselves should take action to improve their functioning	1-5
Individual Member States should take action if the situation in their market requires this	1-5
The EU should take action	1-5
Several of the above should take action	1-5

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

[textbox]

Question 6. To what extent is there a need to modify the EU framework on corporate reporting to support the following objectives (on a scale of 1 (not at all necessary) to 5 (highly necessary)?

I. The green transition	1-5
II. The digital transition	1-5
III. Facilitating doing business by SMEs	1-5
IV. Reducing burdens and/or simplify	1-5
V. Better Corporate Social responsibility, including tax transparency and fair taxation	1-5

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

[textbox]

2. 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.

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. On a scale of 1 (low) to 5 (High), 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?

Topic	I. Effectiveness in reaching its objectives	II. Efficiency: has the framework been cost efficient	III. Coherence with relevant EU rules
a) Board responsibilities for reporting	1-5	1-5	1-5
b) Liability of company boards for reporting	1-5	1-5	1-5
c) Obligation to establish an audit committee)	1-5	1-5	1-5

d) Rules on the composition of the audit committee	1-5	1-5	1-5
e) Tasks of the audit committee	1-5	1-5	1-5
f) External position of the audit committee (e.g. in relation to shareholders).	1-5	1-5	1-5

Question 7.1 Please describe the main issues you see, if any, as regards corporate governance (*role boards, audit committee role, shareholders and other stakeholders*) and, where possible, please provide concrete examples and evidence supporting your assessment.

You may 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?

[textbox]

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 (on a scale of 1 (not at all) to 5 (to a very large extent)) can such departures be attributed to deficiencies of the EU framework on corporate governance?	1-5

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

[textbox]

Question 9. How effective and efficient would the following actions be in increasing the quality and reliability of reporting by listed companies, on a scale of 1 (Not effective/efficient) to 5 (Very effective/efficient)?

Areas	**I. Effectiveness**	**II. Efficiency in term of cost/benefits of action**
a) Strengthen the (collective) responsibilities of the board / tasks for reporting / liability of boards for incorrect reporting	1-5	1-5
b) Require proper expertise of specific board members in relation to corporate reporting (internal controls, accounting framework, sustainability reporting, etc.)	1-5	1-5
c) Increase the responsibilities of specific board members (e.g. Chief Executive Officer) or the Chief Financial Officer) and their liability on corporate reporting	1-5	1-5
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	1-5	1-5
e) More transparency of company boards about the effectiveness of the companies' risk management and report on the actions undertaken during the reporting period	1-5	1-5
f) Remove exemptions in EU legislation for establishing an audit committee	1-5	1-5
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	1-5	1-5
h) Strengthen the external position of the audit committee (e.g. vis-à-vis the auditor or by reporting to shareholders)	1-5	1-5
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	1-5	1-5

j) Require auditors to provide assurance on the systems and internal controls implemented by the board, including fraud, going concern and related reporting requirements	1-5	1-5
k) Strengthen the role of shareholders on corporate reporting	1-5	1-5

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

Question 9.1.1 If you have replied 'yes' to question 9.1 please explain which action(s) you have in mind.

[textbox]

Question 9.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome.

[textbox]

3. 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. On a scale of 1 (low) to 5 (high), 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:

Areas	I. Effectiveness in reaching its objectives	II. Efficiency: has the framework been cost efficient	III. Coherence with relevant EU rules
a) The rules on independence of auditors/audit firms and absence of conflicts of interest	1-5	1-5	1-5
b) The rules on the content of the audit and of the audit report	1-5	1-5	1-5
c) The rules applicable to non-audit services	1-5	1-5	1-5
d) The rules on auditor/audit firm rotation	1-5	1-5	1-5
e) The rules on transparency (transparency report, additional reports to other parties / audit committees/ supervisors)	1-5	1-5	1-5

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?

[textbox]

Question 12. On a scale of 1 (strongly disagree) to 5 (strongly agree), please share to which extent you agree to the following statements.

Question	Scale
I. Statutory audits contribute as much as is possible to the quality and reliability of corporate reporting by PIEs	1-5
II. I am satisfied with the role of the statutory auditors / audit firms of PIEs	1-5
III. The work of auditors is reliable so I trust their assessment and reports and their work inspires trust in capital markets	1-5
IV. There is not enough choice for public interest entities in finding an audit firm at appropriate costs	1-5
V. Joint audits contribute to the quality of audit	1-5

Question 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:

[textbox]

Question 13:

The audit quality issues that occur most often at EU level are

- deficiencies in audit firms’ internal quality control system
- the lack of, or inappropriate, monitoring of high-risk audited entities

- and the lack of audit evidence and documentation

To what extent can these quality issues be attributed to deficiencies in the EU legal and supervisory framework for statutory audit (on a scale of 1 (not at all) to 5 (to a very large extent))?	1-5

Question 13.1 Please explain, and where possible, provide evidence for your assessment under question 13:

[textbox]

Question 14. How effective and efficient would the following actions be in increasing the quality of statutory audits of PIEs? On a scale of 1 (not effective/efficient) to 5 (very effective/efficient)?

Question	**I. Effectiveness**	**II. Efficiency in term of cost/benefits of action**
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	1-5	1-5
b) Strengthen the informational value of audit reports	1-5	1-5
c) Improve the internal governance of audit firms	1-5	1-5
d) Incentivise or mandate the performance of joint audits for PIEs, including to enhance competition on the PIE audit market	1-5	1-5
e) Further harmonise the rules on mandatory rotation	1-5	1-5
f) Limit the scope for statutory auditors and audit firms to provide non-audit services	1-5	1-5
g) Increase or eliminate caps on auditor liability, at least for cases of gross negligence of statutory auditors	1-5	1-5
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	1-5	1-5

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	1-5	1-5

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

Question 14.1.1 If you have replied ‘yes’ to question 14.1 please explain which action(s) you have in mind.

[textbox]

Question 14.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome.

[textbox]

4. 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 Auditing 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. On a scale of 1 (low) to 5 (high), 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?

Topic	I. Effectiveness in reaching its objectives	II. Efficiency: has the framework been cost efficient	III. Coherence with other related EU rules
a) The supervision of PIE statutory auditors and audit firms in the EU	1-5	1-5	1-5
b) The establishment and operation of national audit oversight bodies	1-5	1-5	1-5
c) The Member State systems for investigations and sanctions	1-5	1-5	1-5
d) The role of the CEAOB	1-5	1-5	1-5

Question 15.1 Please describe the main issues, if any, you see 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?

[textbox]

Question 16.

Considering the findings in the [Commission monitoring report]() and reports of national audit oversight bodies how would you rate (on a scale of 1 to 5) the quality of audit supervision?	1-5

Question 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.

[textbox]

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? On a scale of 1 (not effective/effective) to 5 (very effective/efficient)?

Areas	**I. Effectiveness**	**II. Efficiency in term of cost/benefits of action**
a) Ensure better the independence and appropriate resources of supervisors of auditors and audit firms	1-5	1-5
b) Increase the transparency of audit supervisors	1-5	1-5
c) Increase the consistency of supervision of cross-border networks of audit firms	1-5	1-5
d) Ensure supervision of audit committees	1-5	1-5
e) Harmonise and strengthen the investigation and sanctioning powers of audit supervisors	1-5	1-5
f) Ensure that at European level there are legal instruments available that ensure supervisory convergence as regards statutory audit of PIEs	1-5	1-5

g) Grant a European body the task to register and supervise PIE statutory auditors and audit firms	1-5	1-5

Question 17.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of the supervision of PIE statutory auditors and audit firms?

- Yes
- No

Question 17.1.1 If you have replied ‘yes’ to question 17.1 please explain which action(s) you have in mind.

[textbox]

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

[textbox]

5. 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.[3]

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?	1-5

[3] ESMA letter of 26 February 2021 to the Commissioner McGuinness on next steps following Wirecard (ESMA32-51-818)

Question 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.

[textbox]

Question 19. How effective and efficient would the following actions be in increasing the quality and reliability of reporting by listed companies on a scale of 1 (not effective/efficient) to 5 (very effective/efficient)?

Areas	I. Effectiveness	II. Efficiency in term of cost/benefits of action
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	1-5	1-5
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	1-5	1-5
c) Strengthen the rules ensuring the independence of national authorities or entities involved in the supervision of corporate reporting	1-5	1-5
d) Increase the resources of national authorities or entities involved in the supervision of corporate reporting	1-5	1-5
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.	1-5	1-5
f) Improve cooperation and coordination between national authorities of different Member States	1-5	1-5
g) Increase transparency on the conduct and results of enforcement activities by national authorities	1-5	1-5
h) Strengthen the role of ESMA on the enforcement of	1-5	1-5

corporate reporting		

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

- Yes
- No

Question 19.1.1 If you have replied 'yes' to question 19.1 please explain which action(s) you have in mind.

[textbox]

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

[textbox]