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Committee on Legal Affairs

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DRAFT REPORT

on the proposal for a regulation of the European Parliament and of the Council
on specific requirements regarding statutory audit of public-interest entities
(COM(2011)0779 – C7-0470/2011 – 2011/0359(COD))

Committee on Legal Affairs

Rapporteur: Sajjad Karim

Rapporteur for the opinion(*):
Kay Swinburne, Committee on Economic and Monetary Affairs

(*) Associated committees – Rule 50 of the Rules of Procedure

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

In amendments by Parliament, amendments to draft acts are highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the draft act which may require correction when the final text is prepared – for instance, obvious errors or omissions in a language version. Suggested corrections of this kind are subject to the agreement of the departments concerned.

The heading for any amendment to an existing act that the draft act seeks to amend includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend. Passages in an existing act that Parliament wishes to amend, but that the draft act has left unchanged, are highlighted in **bold**. Any deletions that Parliament wishes to make in such passages are indicated thus: [...].

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a regulation of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities (COM(2011)0779 – C7-0470/2011 – 2011/0359(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2011)0779),
 - having regard to Article 294(2) and Article 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0470/2011),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the reasoned opinions submitted, within the framework of Protocol No 2 on the application of the principles of subsidiarity and proportionality, by the Slovak Parliament and the Swedish Parliament, asserting that the draft legislative act does not comply with the principle of subsidiarity,
 - having regard to the opinion of the European Economic and Social Committee of 26 April 2012¹,
 - having regard to Rule 55 of its Rules of Procedure,
 - having regard to the report of the Committee on Legal Affairs and the opinions of the Committee on Economic and Monetary Affairs and the Committee on Industry, Research and Energy (A7-0000/2012),
1. Adopts its position at first reading hereinafter set out;
 2. Approves its statement annexed to this resolution;
 3. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;
 4. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a regulation

Recital 2

¹ Not yet published in the Official Journal.

(2) Union legislation requires that the financial statements, comprising annual accounts or consolidated accounts, of credit institutions, insurance undertakings, issuers of securities admitted to trading on a regulated market, payment institutions, UCITS, electronic money institutions and alternative investment funds be audited by one or more persons entitled to carry out such audits in accordance with Union law, namely: Article 1(1) of Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions, Article 1(1) of Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings, Article 4(4) of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, Article 15(2) of Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC, Article 73 of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), Article 3(1) of Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic

deleted

money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC, and Article 22(3) of Directive 2011/61/EC of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010. Moreover, Article 4(1)(1) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC also requires that the annual financial statements of investment firms be audited when the Fourth Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies or the Seventh Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts are not applicable.

Or. en

Amendment 2
Proposal for a regulation
Recital 4

Text proposed by the Commission

(4) During the recent financial crisis, numerous banks revealed huge losses from 2007 to 2009 on the position they had held both on and off balance sheet. This raised not only the question of how auditors could give unqualified audit reports to their clients for those periods but also about the suitability and adequacy of the current legislative framework. The Commission published on 13 October 2010 a Green Paper on Audit

Amendment

(4) The Commission published on 13 October 2010 a Green Paper on Audit Policy: Lessons from the Crisis, which launched a wide public consultation, in the general context of financial market regulatory reform, on the role and scope of audit and how the audit function could be enhanced in order to contribute to increased financial stability. It resulted from the public consultation that the rules of Directive 2006/43/EC regarding the

Policy: Lessons from the Crisis, which launched a wide public consultation, in the general context of financial market regulatory reform, on the role and scope of audit and how the audit function could be enhanced in order to contribute to increased financial stability. It resulted from the public consultation that the rules of Directive 2006/43/EC regarding the carrying out of the statutory audit of annual and consolidated accounts of public-interest entities could be **substantially** improved. The European Parliament issued an own initiative report on the Green Paper on 13 September 2011. The European Economic and Social Committee also adopted a report on that Green Paper on 16 June 2011.

carrying out of the statutory audit of annual and consolidated accounts of public-interest entities could be improved. The European Parliament issued an own-initiative report on the Green Paper on 13 September 2011. The European Economic and Social Committee also adopted a report on that Green Paper on 16 June 2011.

Or. en

Amendment 3
Proposal for a regulation
Recital 6

Text proposed by the Commission

Amendment

(6) The financial sector is evolving and new categories of financial institutions are created by Union law. The importance of new entities and activities outside the regular banking system is growing and their impact on financial stability has become greater. Therefore, it is appropriate that the definition of public-interest entity also encompasses other financial institutions and entities such as investment firms, payment institutions, undertakings for collective investments in transferable securities (UCITS), electronic money institutions and alternative investment funds.

deleted

Or. en

Amendment 4
Proposal for a regulation
Recital 7

Text proposed by the Commission

(7) Audit of annual and consolidated financial statements is intended as a statutory safeguard for investors, lenders and business counterparties who have a stake or a business interest in public-interest entities. Hence, statutory auditors and audit firms should be **completely** independent when carrying out statutory audits of such entities and conflicts of interest should be avoided. In order to determine the independence of auditors and audit firms, the concept of network in which auditors and firms operate has to be taken into account.

Amendment

(7) Audit of annual and consolidated financial statements is intended as a statutory safeguard for investors, lenders and business counterparties who have a stake or a business interest in public-interest entities. Hence, statutory auditors and audit firms should be independent when carrying out statutory audits of such entities and conflicts of interest should be avoided. In order to determine the independence of auditors and audit firms, the concept of network in which auditors and firms operate has to be taken into account.

Or. en

Amendment 5
Proposal for a regulation
Recital 9

Text proposed by the Commission

(9) Auditors, audit firms and **their employees** should in particular refrain from carrying out the statutory audit of an entity if they have a business interest or financial interest in it and from engaging on trading in financial instruments issued, guaranteed or otherwise supported by an audited entity, other than holdings in diversified collective investment schemes. The statutory auditor or audit firm should abstain from the internal decision-making processes of the audited entity. Statutory auditors or their employees should be prevented from taking up duties in the audited entity at managerial or board level until an appropriate period has elapsed since the end of the audit engagement.

Amendment

(9) Auditors, audit firms and **any person participating in, or otherwise in a position to directly or indirectly influence the outcome of, the statutory audit** should in particular refrain from carrying out the statutory audit of an entity if they have a business interest or financial interest in it and from engaging on trading in financial instruments issued, guaranteed or otherwise supported by an audited entity, other than holdings in diversified collective investment schemes. The statutory auditor or audit firm should abstain from the internal decision-making processes of the audited entity. Statutory auditors or their employees should be prevented from taking up duties in the audited entity at

managerial or board level until an appropriate period has elapsed since the end of the audit engagement.

Or. en

Amendment 6
Proposal for a regulation
Recital 10

Text proposed by the Commission

(10) The level of fees received from one audited entity and the structure of fees can also threaten the independence of a statutory auditor or audit firm. Thus, it is important to ensure that audit fees are not based on any form of contingency and that, when the audit fees from a single client are significant, a specific procedure is established to secure the quality of the audit. ***If the dependence on a single client is excessive, the statutory auditor or the audit firm should refrain from undertaking the statutory audit in question.***

Amendment

(10) The level of fees received from one audited entity and the structure of fees can also threaten the independence of a statutory auditor or audit firm. Thus, it is important to ensure that audit fees are not based on any form of contingency and that, when the audit fees from a single client are significant, a specific procedure is established to secure the quality of the audit.

Or. en

Amendment 7
Proposal for a regulation
Recital 11

Text proposed by the Commission

(11) The provision of services other than statutory audit to audited entities by statutory auditors, audit firms or members of their networks may compromise their independence. Therefore, it is appropriate to require the statutory auditor, the audit firm and the members of their network not to provide non-audit services to their audited entities. ***The provision of*** non-audit

Amendment

(11) The provision of services other than statutory audit to audited entities by statutory auditors, audit firms or members of their networks may compromise their independence. Therefore, it is appropriate to require the statutory auditor, the audit firm and the members of their network not to provide ***certain*** non-audit services to their audited entities. ***A statutory auditor***

services *by an audit firm to a company would prevent that audit firm from carrying out statutory audit of that company, thus resulting in a reduction of the audit firms available to provide statutory audit, in particular with regard to the audit of large public-interest entities where the market is concentrated. As a result, in order to secure that a minimum number of audit firms is able to provide audit services to large public-interest entities, it is appropriate to request that audit firms of significant dimension focus their professional activity on the carrying out of statutory audit and are not allowed to undertake other services unconnected to their statutory audit function such as consultancy or advisory services.*

or audit firm should be able to provide audit-related and other assurance services and non-audit services other than prohibited non-audit services where the provision of those services has been approved in advance by the audit committee and has not been subject to veto by the competent authority.

Or. en

Amendment 8
Proposal for a regulation
Recital 16

Text proposed by the Commission

(16) Whilst the primary responsibility for delivering financial information should rest with the management of the audited entities, auditors play a role by actively challenging management from a user's perspective. In order to improve audit quality, it is therefore important that the professional scepticism exercised by auditors vis-à-vis the audited entity is reinforced. Auditors should recognise the possibility that a material misstatement due to fraud or error could exist, notwithstanding the auditor's past experience of the honesty and integrity of the audited entity's management. Securing audit quality should be the main criterion to organise the audit work and to allocate the necessary resources to the tasks. The

Amendment

(16) Whilst the primary responsibility for delivering financial information should rest with the management of the audited entities, auditors play a role by actively challenging management from a user's perspective. In order to improve audit quality, it is therefore important that the professional scepticism exercised by auditors vis-à-vis the audited entity is reinforced. Auditors should recognise the possibility that a material misstatement due to fraud or error could exist, notwithstanding the auditor's past experience of the honesty and integrity of the audited entity's management. Securing audit quality should be the main criterion to organise the audit work and to allocate the necessary resources to the tasks. The

integrity of the statutory auditor, audit firm and their staff is essential to ensure the public confidence in statutory audits and financial markets. Therefore, any **incident** that may have serious consequences for the integrity of the statutory audit activities should be appropriately managed. The statutory auditor or the audit firm should appropriately document the audit work.

integrity of the statutory auditor, audit firm and their staff is essential to ensure the public confidence in statutory audits and financial markets. Therefore, any **event or development** that may have serious consequences for the integrity of the statutory audit activities should be appropriately managed. The statutory auditor or the audit firm should appropriately document the audit work.

Or. en

Amendment 9
Proposal for a regulation
Recital 19

Text proposed by the Commission

(19) The results of the statutory audit should be presented to the stakeholders in the audit report. In order to increase the confidence of stakeholders in the financial statements of the audited entity, it is particularly important that the audit report is well-founded and solidly substantiated and its content expanded to include additional information specific to the audit carried out. ***The audit report should in particular include sufficient information on the methodology used in the audit, especially how much of the balance sheet has been directly verified and how much has been based on system and compliance testing, on the levels of materiality applied to perform the audit, on the key areas of risk of material misstatements of the annual and consolidated financial statements, on whether the statutory audit was designed to detect fraud and, in the event of a qualified or adverse opinion or a disclaimer of opinion, on the reasons for such decision.***

Amendment

(19) The results of the statutory audit should be presented to the stakeholders in the audit report. In order to increase the confidence of stakeholders in the financial statements of the audited entity, it is particularly important that the audit report is well-founded and solidly substantiated and its content expanded to include additional information specific to the audit carried out.

Or. en

Amendment 10
Proposal for a regulation
Recital 20

Text proposed by the Commission

(20) The value of statutory audit for the audited entity would be particularly enhanced if the communication between the statutory auditor or the audit firm, on the one hand, and the audit committee, on the other hand, was reinforced. Further to the regular dialogue during the carrying out of the statutory audit, it is important that the statutory auditor or the audit firm submits to the audit committee an additional and more detailed report on the results of the statutory audit. It should be possible to make such additional detailed reports available to the **supervisors of** public-interest entities, but not to the public.

Amendment

(20) The value of statutory audit for the audited entity would be particularly enhanced if the communication between the statutory auditor or the audit firm, on the one hand, and the audit committee, on the other hand, was reinforced. Further to the regular dialogue during the carrying out of the statutory audit, it is important that the statutory auditor or the audit firm submits to the audit committee an additional and more detailed report on the results of the statutory audit. It should be possible to make such additional detailed reports available to the **competent authorities supervising** public-interest entities, but not to the public.

Or. en

Amendment 11
Proposal for a regulation
Recital 21

Text proposed by the Commission

(21) Statutory auditors or audit firms already provide **supervisors of** public-interest entities with information on facts or decisions which could constitute a breach of the rules governing the activities of the audited entity or the impairment of the continuous functioning of the audited entity. Supervisory tasks would also be facilitated if supervisors of credit and financial institutions **were required to establish a regular dialogue with** their statutory auditors and audit firms.

Amendment

(21) Statutory auditors or audit firms already provide **competent authorities supervising** public-interest entities with information on facts or decisions which could constitute a breach of the rules governing the activities of the audited entity or the impairment of the continuous functioning of the audited entity. Supervisory tasks would also be facilitated if supervisors of credit and financial institutions **and** their statutory auditors and audit firms **were required to establish a regular dialogue with each other.**

Amendment 12
Proposal for a regulation
Recital 23

Text proposed by the Commission

(23) Audit committees, or bodies performing an equivalent function within the audited entity, have a decisive role in contributing to high-quality statutory audit. It is particularly important to reinforce the independence and technical competence of the audit committee by requiring that a majority of its members is independent and that at least one member of the committee has competence in auditing ***and another one in auditing and/or*** accounting. The Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board sets out how audit committees should be established and function. Considering, however, the dimension of boards in companies with reduced market capitalisation and in small and medium-sized public-interest entities, it would be appropriate that the functions assigned to the audit committee for those entities, or to a body performing equivalent functions within the audited entity, may be performed by the administrative or supervisory body as a whole. ***Public-interest entities which are UCITS or alternative investment funds should also be exempted from the obligation to have an audit committee. This exemption takes into account the fact that where those funds function merely for the purpose of pooling assets, the employment of an audit committee is not appropriate. UCITS and alternative investments funds, as well as their management companies, operate in a strictly defined regulatory***

Amendment

(23) Audit committees, or bodies performing an equivalent function within the audited entity, have a decisive role in contributing to high-quality statutory audit. It is particularly important to reinforce the independence and technical competence of the audit committee by requiring that a majority of its members is independent and that at least one member of the committee has competence in auditing ***or*** accounting. The Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board sets out how audit committees should be established and function. Considering, however, the dimension of boards in companies with reduced market capitalisation and in small and medium-sized public-interest entities, it would be appropriate that the functions assigned to the audit committee for those entities, or to a body performing equivalent functions within the audited entity, may be performed by the administrative or supervisory body as a whole.

environment and are subject to specific governance mechanisms such as controls exercised by their depositary.

Or. en

Amendment 13
Proposal for a regulation
Recital 25

Text proposed by the Commission

(25) The right of the general meeting of shareholders or members of the audited entity to choose the statutory auditor or the audit firm would be of no value if the audited entity were to enter into a contract with a third party providing for a restriction of such choice. Therefore any contractual clause entered into by the audited entity with a third party regarding the appointment or restricting the choice *of a particular **auditor** or audit **firm*** should be considered null and void.

Amendment

(25) The right of the general meeting of shareholders or members of the audited entity to choose the statutory auditor or the audit firm would be of no value if the audited entity were to enter into a contract with a third party providing for a restriction of such choice. Therefore any contractual clause entered into by the audited entity with a third party restricting the choice *to particular **auditors** or audit **firms*** should be considered null and void.

Or. en

Amendment 14
Proposal for a regulation
Recital 26

Text proposed by the Commission

(26) The appointment of more than one statutory auditor or audit firm by the public-interest entities would reinforce the professional scepticism and contribute to increasing audit quality. Also, this measure combined with the presence of smaller audit firms would facilitate the development of the capacity of such firms, thus contributing to increasing the choice of statutory auditors and audit firms for public-interest entities. Therefore, the

Amendment

deleted

latter should be encouraged and incentivised to appoint more than one statutory auditor or audit firm to carry out the statutory audit.

Or. en

Amendment 15
Proposal for a regulation
Recital 33

Text proposed by the Commission

(33) The market for the provision of statutory audit services to public-interest entities evolves over time. It is therefore necessary that competent authorities monitor the developments in the market, particularly as regards *possible limited choice of auditor and the risks that arise from high market concentration.*

Amendment

(33) The market for the provision of statutory audit services to public-interest entities evolves over time. It is therefore necessary that competent authorities monitor the developments in the market, particularly as regards *the effects of the provision of non-audit services to public-interest entity clients on confidence in the quality of audit work and the independence of auditors and the role of audit committees in monitoring the quality of audit work and safeguarding the independence of auditors.*

Or. en

Amendment 16
Proposal for a regulation
Recital 38

Text proposed by the Commission

(38) Recognition of the aptitude of statutory auditors and audit firms to perform statutory audits of public-interest entities should facilitate the access of auditors and firms to other clients. Therefore, it is important to provide for a Quality Certificate of European dimension which should be developed by ESMA. National competent authorities

Amendment

deleted

should be involved in the examination of the applications for the certificate.

Or. en

Amendment 17
Proposal for a regulation
Recital 44

Text proposed by the Commission

(44) In order to take account of the technical developments in the financial markets, in auditing and the audit profession and to specify the requirements laid down in this Regulation, the Commission *should be empowered* to adopt *delegated* acts in accordance with Article 290 of the Treaty on the Functioning of the European Union. *In particular, the use of delegated acts is necessary to adapt* the list of related audit services and of non-audit services *as well as to set out the level of fees that ESMA could charge for delivering the European Quality Certificate to statutory auditors and audit firms*. It is of particular importance that the Commission *carries* out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

Amendment

(44) In order to take account of the technical developments in the financial markets, in auditing and *in* the audit profession, and to specify the requirements laid down in this Regulation, *the power* to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union *should be delegated to the Commission in respect of* adapting the list of related audit services and of non-audit services. It is of particular importance that the Commission *carry* out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

Or. en

Amendment 18
Proposal for a regulation
Recital 45

Text proposed by the Commission

Amendment

(45) In order to ensure legal certainty and the smooth transition to the regime introduced by this Regulation, it is important to introduce a transitional regime regarding the entry into force of the obligation to rotate audit firms, the obligation to organise a selection procedure for the choice of audit firm and the conversion of audit firms into firms that only provide audit services. *deleted*

Or. en

**Amendment 19
Proposal for a regulation
Article 4**

Text proposed by the Commission

Amendment

Article 4

deleted

Large public interest entities

For the purposes of this Regulation, 'large public-interest entities' shall cover the following

(a) in relation to entities defined in point 13(a) of Article 2 of Directive 2006/43/EC, the largest 10 issuers of shares in each Member State measured by the market capitalisation on the basis of the end-year quotes and in any case all issuers of shares that had an average market capitalisation of more than EUR 1 000 000 000 on the basis of end-year quotes for the previous three calendar years;

(b) in relation to entities defined in points 13(b) to (f) of Article 2 of Directive 2006/43/EC, any entity which on their balance sheet date has a balance sheet total exceeding EUR 1 000 000 000;

(c) in relation to entities defined in points 13(g) and (h) of Article 2 of Directive 2006/43/EC, any entity which on their balance sheet date has total assets under management exceeding EUR 1 000 000 000.

Or. en

Amendment 20
Proposal for a regulation
Article 5

Text proposed by the Commission

A statutory auditor or audit firm shall take all ***necessary*** steps to ensure that the ***carrying out of a statutory audit of a public-interest entity is not affected by any existing or potential conflict of interest or business or other relationship involving the statutory auditor or audit firm carrying out the statutory audit and, where appropriate, its network, managers, auditors, employees, any other natural persons whose services are placed at the disposal or under the control of the statutory auditor or audit firm, or any person directly or indirectly linked to the statutory auditor or audit firm by control.***

Amendment

A statutory auditor or audit firm shall take all ***reasonable*** steps to ensure that the ***independence*** of the statutory auditor or audit firm carrying out a statutory audit ***is not compromised by financial, personal, business, employment or other relationships involving the statutory auditor, the audit firm, its network, or any natural person in a position to directly or indirectly influence the outcome of the statutory audit.***

Or. en

Amendment 21
Proposal for a regulation
Article 6 – paragraph 1– point e

Text proposed by the Commission

(e) a statutory auditor or an audit firm shall establish appropriate and effective organisational and administrative arrangements to prevent, identify, eliminate or manage and disclose any threats to independence referred to in

Amendment

(e) a statutory auditor or an audit firm shall establish appropriate and effective organisational and administrative arrangements to prevent, identify, eliminate or manage and disclose any threats to independence, ***other than in the***

Article 11(2);

normal course of business, referred to in Article 11(2);

Or. en

Amendment 22
Proposal for a regulation
Article 6 – paragraph 1– point i

Text proposed by the Commission

(i) *a statutory auditor or an audit firm shall establish a policy to preclude his, her or its involvement and that of his, her or its employees in any criminal offence or breach of the law in the conduct of their work.* The statutory auditor or the audit firm shall also establish appropriate and effective organisational and administrative arrangements for dealing with and recording incidents which have or may have serious consequences for the integrity of his, her or its statutory audit activities;

Amendment

(i) the statutory auditor or the audit firm shall also establish appropriate and effective organisational and administrative arrangements for dealing with and recording incidents which have or may have serious consequences for the integrity of his, her or its statutory audit activities;

Or. en

Amendment 23
Proposal for a regulation
Article 6 – paragraph 1– point j

Text proposed by the Commission

(j) a statutory auditor or an audit firm shall have adequate remuneration policies providing sufficient performance incentives to secure audit quality. In particular, *compensation and performance evaluation of employees shall not be contingent on* the amount of revenue that the statutory auditor or the audit firm derives from the audited entity;

Amendment

(j) a statutory auditor or an audit firm shall have adequate remuneration *or profit-sharing* policies providing sufficient performance incentives to secure audit quality. In particular, the amount of revenue that the statutory auditor or the audit firm derives from *selling non-assurance services to* the audited entity *shall not form part of the performance evaluation and compensation of any person involved in or able to influence the*

conduct of the audit,

Or. en

Amendment 24
Proposal for a regulation
Article 6 – paragraph 2 – subparagraph 2

Text proposed by the Commission

The statutory auditor or audit firm shall be able to demonstrate to the competent authority referred to in Article 35(1) that such compliance is proportionate to the size and complexity of activities of the statutory auditor or audit firm.

Amendment

The statutory auditor or audit firm shall be able to demonstrate to the competent authority referred to in Article 35(1) that ***the achievement of*** such compliance is proportionate to the size and complexity of activities of the statutory auditor or audit firm.

Or. en

Amendment 25
Proposal for a regulation
Article 7 – paragraph 1

Text proposed by the Commission

1. A statutory auditor or an audit firm and any ***holder of voting rights*** in ***an*** audit ***firm*** shall be independent of the audited entity and shall not be involved in the decision-taking of the audited entity.

Amendment

1. A statutory auditor or an audit firm and any ***natural person in a position to directly or indirectly influence the outcome of the*** ***statutory*** audit shall be independent of the audited entity and shall not be involved in the decision-taking of the audited entity.

Holders of voting rights in an audit firm may not have a direct financial interest in any entity audited by the statutory auditor or audit firm.

Independence is required during both the period covered by the financial statements to be audited and the period during which the statutory audit is carried out.

The statutory auditor or audit firm shall not carry out a statutory audit if there is any threat of self-review, self-interest,

advocacy, familiarity or intimidation created by financial, personal, business, employment or other relationships between:

– the statutory auditor, the audit firm, its network, and any natural person in a position to influence the outcome of the statutory audit, and

– the audited entity

from which an objective, reasonable and informed third party, taking into account the safeguards applied, would conclude that the statutory auditor's or audit firm's independence is compromised.

Or. en

Amendment 26
Proposal for a regulation
Article 7 – paragraph 2

Text proposed by the Commission

2. A statutory auditor, an audit firm, ***their*** key audit partners, ***their employees as well as*** any ***other*** natural person ***whose services are placed at the disposal or under the control of such auditor or firm and who is directly involved in*** statutory audit ***activities***, and persons closely associated with them within the meaning of Article 1(2) of Commission Directive 2004/72/EC shall not ***buy or sell or engage in*** any ***transaction in any*** financial ***instrument issued, guaranteed, or otherwise supported by any*** audited entity ***within their area of statutory audit activities*** other than ***holdings in*** diversified collective investment schemes, ***including managed funds such as pension funds or life insurance.***

Amendment

2. ***The following persons or firms:***

- (i) a*** statutory auditor;
- (ii) an*** audit firm;

(iii) network firms;

(iv) the key audit partners;

(v) any natural person participating in, or otherwise in a position to directly or indirectly influence the outcome of, the statutory audit, and

(vi) persons closely associated with them within the meaning of Article 1(2) of Commission Directive 2004/72/EC

shall not:

(a) own any financial instruments of the audited entity, the parent undertaking to which the audited entity is material, or any entity whose financial information is incorporated into the financial statements of the audited entity, other than interests owned indirectly through diversified collective investment schemes, including managed funds such as pension funds or life insurance;

(b) have or have had in the previous 12 months any personal, business, employment or other relationship with the audited entity, the parent undertaking to which the audited entity is material, or any entity whose financial information is incorporated into the financial statements of the audited entity that may compromise or may be generally perceived by an objective, reasonable and informed third party as compromising the independence of the statutory auditor or the audit firm.

Or. en

Amendment 27
Proposal for a regulation
Article 7 – paragraph 3

Text proposed by the Commission

Amendment

3. Persons or firms referred to in paragraph 2 shall not participate in or otherwise influence the determination of a statutory audit of any particular audited entity if they:

deleted

(a) own financial instruments of the audited entity, other than holdings in diversified collective investment schemes;

(b) own financial instruments of any entity related to an audited entity, the ownership of which may cause or may be generally perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes;

(c) have had a recent employment, business or other relationship with the audited entity that may cause or may be generally perceived as causing a conflict of interest.

Or. en

Amendment 28
Proposal for a regulation
Article 7 – paragraph 4

Text proposed by the Commission

Amendment

4. Persons or firms referred to in paragraph 2 shall not solicit or accept **money**, gifts or favours from **anyone with whom the statutory audit or audit firm has a contractual relationship**.

4. Persons or firms referred to in paragraph 2 shall not solicit or accept gifts, **hospitality** or **similar** favours from the **audited entity unless an objective, reasonable and informed third party would consider their value as trivial or inconsequential**.

Or. en

Amendment 29
Proposal for a regulation
Article 7 – paragraph 5

Text proposed by the Commission

Amendment

5. National measures on professional ethics enacted pursuant to Article 21(1) of Directive 2006/43/EC which are not compatible with paragraphs 2, 3 and 4 shall not apply.

deleted

Or. en

Amendment 30
Proposal for a regulation
Article 7 – paragraph 5a (new)

Text proposed by the Commission

Amendment

5a. If, during the period covered by the financial statements, an audited entity is acquired by, merges with, or acquires an entity to which Articles 7 to 11 apply, the statutory auditor or audit firm shall identify and evaluate any current or recent interests or relationships – including relationships involving the provision of services – with that entity that, taking into account available safeguards, could compromise its independence and its ability to continue with the statutory audit after the effective date of the merger or acquisition.

As soon as possible, and in all cases within three months, the statutory auditor or audit firm shall take all such steps as may be necessary to terminate any current interests or relationships that would compromise its independence and shall, where possible, adopt safeguards to minimise any threat to its independence arising from prior and current interests and relationships.

Amendment 31
Proposal for a regulation
Article 7 – paragraph 5b (new)

Text proposed by the Commission

Amendment

5b. If an audited entity becomes a public-interest entity during the period covered by the financial statements, a non-audit service provided to that entity or to a controlled undertaking prior to that event, which would otherwise be prohibited under Article 10(3), shall not be deemed to compromise the independence of the statutory auditor or audit firm if:

(a) services prohibited under Article 10(3) are discontinued before or as soon as practicable after the audited entity becomes a public-interest entity; and

(b) safeguards are applied to eliminate or reduce any threats, arising from the service, to the independence of the statutory auditor or audit firm.

Amendment 32
Proposal for a regulation
Article 8 – paragraph 2

Text proposed by the Commission

Amendment

2. Employees of a statutory auditor or an audit firm carrying out a statutory audit of a public-interest entity as well as any other natural person whose services are placed at the disposal or under the control of such auditor or firm shall not, when such employees or other natural persons are personally approved as statutory auditors, before a period of at least one year has

2. Employees ***and partners other than key audit partners*** of a statutory auditor or an audit firm carrying out a statutory audit of a public-interest entity as well as any other natural person whose services are placed at the disposal or under the control of such auditor or firm shall not, when such employees, ***partners*** or other natural persons are personally approved as

elapsed since he or she was directly involved in the statutory audit **activities**, take up any of the duties referred to in points (a), b) and (c) of paragraph 1.

statutory auditors, before a period of at least one year has elapsed since he or she was directly involved in the statutory audit **engagement**, take up any of the duties referred to in points (a), b) and (c) of paragraph 1.

Or. en

Amendment 33
Proposal for a regulation
Article 9 – paragraph 2

Text proposed by the Commission

Amendment

2. When the statutory auditor or audit firm provides to the audited entity related financial audit services, as referred to in Article 10(2), the fees for such services shall be limited to no more than 10 % of the fees paid by the audited entity for the statutory audit.

deleted

Or. en

Amendment 34
Proposal for a regulation
Article 9 – paragraph 3 – subparagraph 1

Text proposed by the Commission

Amendment

3. When the total fees received from a public-interest entity subject to the statutory audit represent either more than 20 % or, for two consecutive years, more than 15 % of the of the total annual fees received by the statutory auditor or audit firm carrying out the statutory audit, such auditor or firm shall disclose to the audit committee the fact that the total of such fees represents more than 20 % or 15 %, as appropriate, of the total fees received by the firm and the discussions referred to in **Article 11(4)(d)** shall be undertaken. The

3. When the total fees received from a public-interest entity subject to the statutory audit represent either more than 20 % or, for two consecutive years, more than 15 % of the of the total annual fees received by the statutory auditor or audit firm carrying out the statutory audit, such auditor or firm shall disclose to the audit committee the fact that the total of such fees represents more than 20 % or 15 %, as appropriate, of the total fees received by the firm and the discussions referred to in **point (e) of Article 11(4)** shall be

audit committee shall consider whether the audit engagement shall be subject to a quality control review by another statutory auditor or audit firm prior to the issuance of the audit report.

undertaken. The audit committee shall consider whether the audit engagement shall be subject to a quality control review by another statutory auditor or audit firm prior to the issuance of the audit report.

Or. en

Amendment 35
Proposal for a regulation
Article 9 – paragraph 3 – subparagraph 2

Text proposed by the Commission

When the total fees received from a public-interest entity subject to the statutory audit represent, for two consecutive years, 15 % or more of the total annual fees received by the statutory auditor or audit firm carrying out the statutory audit, the auditor or firm shall inform the competent authority referred to in Article 35(1) of such situation. The competent authority referred to in Article 35(1) **shall** decide on the basis of objective grounds provided by the statutory auditor or the audit firm whether the statutory auditor or audit firm of such entity may continue to carry out the statutory for an additional period which in any case shall not be longer than two years.

Amendment

When the total fees received from a public-interest entity subject to the statutory audit represent, for two consecutive years, 15 % or more of the total annual fees received by the statutory auditor or audit firm carrying out the statutory audit, the auditor or firm shall inform the competent authority referred to in Article 35(1) of such situation. The competent authority referred to in Article 35(1) **may** decide on the basis of objective grounds provided by the statutory auditor or the audit firm whether the statutory auditor or audit firm of such entity may continue to carry out the statutory for an additional period which in any case shall not be longer than two years.

Or. en

Amendment 36
Proposal for a regulation
Article 10 – paragraph 1 – subparagraph 1

Text proposed by the Commission

1. A statutory auditor or an audit firm carrying out statutory audit of public-interest entities may provide to the audited entity, to its parent undertaking and to its controlled undertakings statutory audit

Amendment

1. A statutory auditor or an audit firm carrying out statutory audit of public-interest entities may provide to the audited entity, to its parent undertaking and to its controlled undertakings statutory audit

services *and* related *financial audit* services.

services, *audit-related and other assurance* services *and non-audit services other than prohibited non-audit services*.

Or. en

Amendment 37
Proposal for a regulation
Article 10 – paragraph 1 – subparagraph 2

Text proposed by the Commission

Where the statutory auditor belongs to a network, a member of such network may provide to the audited entity, to its parent undertaking and to its controlled undertakings within the Union statutory audit services *or* related *financial audit* services.

Amendment

Where the statutory auditor belongs to a network, a member of such network may provide to the audited entity, to its parent undertaking and to its controlled undertakings within the Union statutory audit services, *audit-related and other assurance* services *and non-audit services other than prohibited non-audit* services.

Or. en

Amendment 38
Proposal for a regulation
Article 10 – paragraph 2 – introductory wording

Text proposed by the Commission

2. For the purposes of this Article, related *financial audit* services shall mean:

Amendment

2. For the purposes of this Article, *audit-related and other assurance* services shall mean:

Or. en

Amendment 39
Proposal for a regulation
Article 10 – paragraph 2 – point e

Text proposed by the Commission

(e) providing certification on compliance

Amendment

(e) providing certification on compliance

with tax requirements *where such attestation is required by national law*;

with tax requirements;

Or. en

Amendment 40
Proposal for a regulation
Article 10 – paragraph 2 – point f

Text proposed by the Commission

(f) any *other* statutory duty *related to audit work* imposed by *Union legislation to the statutory auditor or audit firm*.

Amendment

(f) any statutory *or regulatory* duty imposed by *law or regulation*.

Or. en

Amendment 41
Proposal for a regulation
Article 10 – paragraph 2 – point f a (new)

Text proposed by the Commission

(fa) reports or other services in relation to documents, including investment circulars or actions required to be taken by the audited entity by securities legislation or regulation;

Amendment

Or. en

Amendment 42
Proposal for a regulation
Article 10 – paragraph 2 – point f b (new)

Text proposed by the Commission

(fb) due diligence on potential mergers and acquisitions and providing assurance concerning the audited entity to other parties in relation to a financial or corporate transaction.

Amendment

Amendment 43
Proposal for a regulation
Article 10 – paragraph 3 – subparagraph 1

Text proposed by the Commission

3. A statutory auditor or an audit firm carrying out statutory audit of public-interest entities shall not directly or indirectly provide to the audited entity, to its parent undertaking **and** to its controlled undertakings non-audit services.

Amendment

3. A statutory auditor or an audit firm carrying out statutory audit of public-interest entities shall not directly or indirectly provide to the audited entity, to its parent undertaking **or** to its controlled undertakings **prohibited** non-audit services.

Or. en

Amendment 44
Proposal for a regulation
Article 10 – paragraph 3 – subparagraph 2

Text proposed by the Commission

Where the statutory auditor belongs to a network, no member of such network shall provide to the audited entity, to its parent undertaking **and** to its controlled undertakings within the Union any non-audit services.

Amendment

Where the statutory auditor belongs to a network, no member of such network shall provide to the audited entity, to its parent undertaking **or** to its controlled undertakings within the Union any **prohibited** non-audit services.

Or. en

Amendment 45
Proposal for a regulation
Article 10 – paragraph 3 – subparagraph 3 – introductory wording

Text proposed by the Commission

For the purposes of this Article, non-audit services shall mean:

Amendment

For the purposes of this Article, **prohibited** non-audit services shall mean:

Or. en

Amendment 46
Proposal for a regulation
Article 10 – paragraph 3 – subparagraph 3 – point a – introductory wording

Text proposed by the Commission

Amendment

(a) services entailing conflict of interest in all cases: *deleted*

Or. en

Amendment 47
Proposal for a regulation
Article 10 – paragraph 3 – subparagraph 3 – point a – point i

Text proposed by the Commission

Amendment

(i) expert services unrelated to the audit, tax consultancy, general management and other advisory services; *deleted*

Or. en

Amendment 48
Proposal for a regulation
Article 10 – paragraph 3 – subparagraph 3 – point a – point ii

Text proposed by the Commission

Amendment

(ii) bookkeeping and preparing accounting records and financial statements;

(a) bookkeeping services, preparing accounting records and financial statements;

Or. en

Amendment 49
Proposal for a regulation
Article 10 – paragraph 3 – subparagraph 3 – point a – point iii

Text proposed by the Commission

Amendment

(iii) designing **and** implementing internal control **or** risk management **procedure** related to the preparation and/or control of **financing** information included in the financial statements **and advice on risk**;

(b) designing **or** implementing internal control, risk management **or financial information technology systems** related to the preparation and/or control of **financial** information included in the financial statements **that**:

(i) form a significant part of the internal control over financial reporting of the audited entity, or

(ii) generate information that is significant to the accounting records or financial statements that are subject to the statutory audit;

Or. en

Amendment 50

Proposal for a regulation

Article 10 – paragraph 3 – subparagraph 3 – point a – point iv

Text proposed by the Commission

Amendment

(iv) valuation services, providing fairness opinions or contribution-in-kind reports;

(c) valuation services, **including valuations in connection with actuarial services or litigation support services, where the valuation would have a material effect, separately or in the aggregate, on the financial statements;**

Or. en

Amendment 51

Proposal for a regulation

Article 10 – paragraph 3 – subparagraph 3 – point a – point v

Text proposed by the Commission

Amendment

(v) actuarial and legal services, including the resolution of litigation;

(d) actuarial **services** and legal services, including **the provision of legal advice, negotiating on behalf of the audit client or**

acting in the resolution of litigation, *where the outcome would have a material impact on the financial statements to be audited;*

Or. en

Amendment 52

Proposal for a regulation

Article 10 – paragraph 3 – subparagraph 3 – point a – point vi

Text proposed by the Commission

Amendment

(vi) designing and implementing financial information technology systems for public-interest entities as referred to in Article 2(13)(b) to (j) of Directive 2006/43/EC; *deleted*

Or. en

Amendment 53

Proposal for a regulation

Article 10 – paragraph 3 – subparagraph 3 – point a – point vii

Text proposed by the Commission

Amendment

(vii) participating in the audit client's internal audit and the provision of services related to the internal audit function; *(e) participating in the audit client's internal audit and the provision of services related to the internal audit function;*

Or. en

Amendment 54

Proposal for a regulation

Article 10 – paragraph 3 – subparagraph 3 – point a – point viii

Text proposed by the Commission

Amendment

(viii) broker or dealer, investment adviser, or investment banking services. *deleted*

Or. en

Amendment 55

Proposal for a regulation

Article 10 – paragraph 3 – subparagraph 3 – point a – point viii a(new)

Text proposed by the Commission

Amendment

(f) promoting, dealing in, or underwriting shares in the audit client.

Or. en

Amendment 56

Proposal for a regulation

Article 10 – paragraph 3 – subparagraph 3 – point b – introductory wording

Text proposed by the Commission

Amendment

(b) services which may entail conflict of interest:

deleted

Or. en

Amendment 57

Proposal for a regulation

Article 10 – paragraph 3 – subparagraph 3 – point b – point i

Text proposed by the Commission

Amendment

(i) human resources services, including recruiting senior management;

(g) human resources services with respect to senior management in a position to exert significant influence over the preparation of the accounting records or financial statements subject to the statutory audit, where such services involve:

(i) searching for or seeking out candidates for such positions; or

(ii) undertaking reference checks of candidates for such positions.

Or. en

Amendment 58
Proposal for a regulation
Article 10 – paragraph 3 – subparagraph 3 – point b – point ii

Text proposed by the Commission

Amendment

*(ii) providing comfort letters for investors
in the context of the issuance of an
undertaking's securities;* *deleted*

Or. en

Amendment 59
Proposal for a regulation
Article 10 – paragraph 3 – subparagraph 3 – point b – point iii

Text proposed by the Commission

Amendment

*(iii) designing and implementing financial
information technology systems for
public-interest entities as referred to in
Article 2(13)(a) of Directive 2006/43/EC;* *deleted*

Or. en

Amendment 60
Proposal for a regulation
Article 10 – paragraph 3 – subparagraph 3 – point b – point iv

Text proposed by the Commission

Amendment

*(iv) due diligence services to the vendor or
the buy side on potential mergers and
acquisitions and providing assurance on
the audited entity to other parties at a
financial or corporate transaction.* *deleted*

Or. en

Amendment 61
Proposal for a regulation
Article 10 – paragraph 3 – subparagraph 4

Text proposed by the Commission

Amendment

By derogation from the first and second subparagraphs, the services mentioned in point (b)(i) and (ii) may be provided by the statutory auditor or the audit firm, subject to prior approval by the audit committee as referred to in Article 31 of this Regulation.

deleted

Or. en

Amendment 62
Proposal for a regulation
Article 10 – paragraph 3 – subparagraph 5

Text proposed by the Commission

Amendment

By derogation from the first and second subparagraphs, the services mentioned in point (b)(i) and (ii) may be provided by the statutory auditor or the audit firm, subject to prior approval by the audit committee as referred to in Article 31 of this Regulation.

deleted

Or. en

Amendment 63
Proposal for a regulation
Article 10 – paragraph 3a (new)

Text proposed by the Commission

Amendment

3a. A statutory auditor or audit firm may provide non-audit services other than prohibited non-audit services where:

(a) the provision of those services has been approved by the audit committee, in the light of its obligation under Article 31

to satisfy itself as to the auditor's likely ability to mitigate any threats to its independence in its conduct as statutory auditor; and

(b) the competent authority has not exercised its power under Article 38(6b), to prohibit the provision of those services.

Or. en

Amendment 64
Proposal for a regulation
Article 10 – paragraph 4 – subparagraph 1

Text proposed by the Commission

Amendment

When a member of the network to which the statutory auditor or the audit firm carrying out statutory audit of a public-interest entity belongs provides non-audit services to an undertaking incorporated in a third country controlled by the audited public-interest entity, the statutory auditor or the audit firm concerned shall assess whether his, her or its independence would be compromised by such provision of services by the member of the network.

deleted

Or. en

Amendment 65
Proposal for a regulation
Article 10 – paragraph 4 – subparagraph 1a (new)

Text proposed by the Commission

Amendment

Where the statutory auditor or audit firm belongs to a network and services are provided to an undertaking incorporated outside the Union and controlled by the audited entity, the statutory auditor or audit firm shall assess whether his, her or its independence could be compromised by such provision of services and shall

apply safeguards in order to mitigate any threats to such independence caused by the provision of such services.

Or. en

Amendment 66
Proposal for a regulation
Article 10 – paragraph 4 – subparagraph 2

Text proposed by the Commission

If his, her or its independence is affected, the statutory auditor or the audit firm shall apply safeguards in order to mitigate the threats caused by such provision of services in a third country. The statutory auditor or the audit firm may continue to carry out the statutory audit of the public-interest entity only if he, she or it can justify, in accordance with Article 11, that such provision of services does not affect his, her or its professional judgement and the audit report.

Amendment

The statutory auditor or the audit firm may continue to carry out the statutory audit of the public-interest entity only if he, she or it can justify, in accordance with Article 11, that such provision of services does not affect his, her or its professional judgement and the audit report.

Or. en

Amendment 67
Proposal for a regulation
Article 10 – paragraph 4 – subparagraph 3

Text proposed by the Commission

Being involved in the decision-taking of the audited entity *and the provision of the services referred to in points (ii) and (iii) of paragraph 3(a)* shall be considered as affecting such independence in all cases.

Amendment

Being involved in the decision-taking of the audited entity shall be considered as affecting such independence in all cases.

Or. en

Amendment 68
Proposal for a regulation
Article 10 – paragraph 4 – subparagraph 4

Text proposed by the Commission

Amendment

The provision of the services referred to in points (i) and (iv) to (viii) of paragraph 3(a) shall be presumed to affect such independence. **deleted**

Or. en

Amendment 69
Proposal for a regulation
Article 10 – paragraph 4 – subparagraph 5

Text proposed by the Commission

Amendment

The statutory auditor or the audit firm may consult the competent authority for an opinion on this issue. **deleted**

Or. en

Amendment 70
Proposal for a regulation
Article 10 – paragraph 5

Text proposed by the Commission

Amendment

5. Where an audit firm generates more than one third of its annual audit revenues from large public-interest entities and belongs to a network whose members have combined annual audit revenues which exceed EUR 1 500 million within the European Union, it shall comply with the following conditions: **deleted**

(a) it shall not directly or indirectly provide to any public interest entity non-audit services;

(b) it shall not belong to a network which

provides non-audit services within the Union;

(c) any entity which provides the services listed in paragraph 3 shall not directly or indirectly hold more than 5 % of the capital or of the voting rights in the audit firm;

(d) the entities which provide the services listed in paragraph 3 shall not directly or indirectly hold together more than 10 % of the capital or of the voting rights in the audit firm;

(e) such audit firm shall not directly or indirectly hold more than 5 % of the capital or of the voting rights in any entity which provides the services listed in paragraph 3.

Or. en

Amendment 71
Proposal for a regulation
Article 10 – paragraph 6

Text proposed by the Commission

6. The Commission shall be empowered to adopt delegated acts in accordance with Article 68 for the purpose of adapting the list of related *financial audit* services referred to in paragraph 2 and the list of non-audit services referred to in paragraph 3 of this Article. When using such powers, the Commission shall take into account developments in auditing and the audit profession.

Amendment

6. The Commission shall be empowered to adopt delegated acts in accordance with Article 68 for the purpose of adapting the list of *audit-related and other assurance* services referred to in paragraph 2 and the list of *prohibited* non-audit services referred to in paragraph 3 of this Article. When using such powers, the Commission shall take into account developments in auditing and the audit profession.

Or. en

Amendment 72
Proposal for a regulation
Article 11 – paragraph 1 – first indent

Text proposed by the Commission

Amendment

whether he, she or it complies with the internal organisation requirements of Article 6;

deleted

Or. en

Amendment 73
Proposal for a regulation
Article 11 – paragraph 2 – subparagraph 3

Text proposed by the Commission

Amendment

If the statutory auditor's or audit firm's independence is affected by threats of self-review *or self-interest*, the statutory auditor or audit firm shall not carry out the statutory audit.

If the statutory auditor's or audit firm's independence is affected by threats of self-review, the statutory auditor or audit firm shall not carry out the statutory audit.

Or. en

Amendment 74
Proposal for a regulation
Article 11 – paragraph 4 – subparagraph 1 – point a

Text proposed by the Commission

Amendment

(a) confirm annually in writing to the audit committee *his, her or its independence* from the audited entity;

(a) confirm annually in writing to the audit committee *that the statutory auditor, the audit firm, and audit partners, senior managers and managers conducting the statutory audit are independent* from the audited entity;

Or. en

Amendment 75
Proposal for a regulation
Article 11 – paragraph 4 – subparagraph 1 – point b

Text proposed by the Commission

Amendment

(b) confirm annually in writing to the audit committee the names of the audit partners, senior manager and manager of the core team conducting the statutory audit, certifying that there are no conflicts of interest;

deleted

Or. en

Amendment 76

Proposal for a regulation

Article 11 – paragraph 4 – subparagraph 1 – point c

Text proposed by the Commission

Amendment

(c) request permission from the audit committee to provide ***the*** non-audit services referred to in ***Article 10(3)(b)(i) and (ii)*** to the audited entity;

(c) request permission from the audit committee to provide non-audit services ***other than prohibited non-audit services as*** referred to in ***Article 10(3)*** to the audited entity;

Or. en

Amendment 77

Proposal for a regulation

Article 11 – paragraph 4 – subparagraph 1 – point d

Text proposed by the Commission

Amendment

(d) request permission from the competent authority referred to in Article 35(1) to provide the non-audit services referred to in Article 10(3)(b)(iii) and (iv) to the audited entity;

deleted

Or. en

Amendment 78
Proposal for a regulation
Article 13 – paragraph 1 – subparagraph 1

Text proposed by the Commission

1. Where a statutory auditor or an audit firm carries out statutory audit of a public-interest entity which is part of a group of undertakings whose parent undertaking is situated in a third country, the confidentiality and professional secrecy rules referred to in Article 23(1) of Directive 2006/43/EC shall not impede the transfer by the statutory auditor or audit firm of relevant documentation of the audit work performed to the group auditor situated in a third country if such documentation is **exclusively** necessary for the preparation of the audit of consolidated financial statements of the parent undertaking.

Amendment

1. Where a statutory auditor or an audit firm carries out statutory audit of a public-interest entity which is part of a group of undertakings whose parent undertaking is situated in a third country, the confidentiality and professional secrecy rules referred to in Article 23(1) of Directive 2006/43/EC shall not impede the transfer by the statutory auditor or audit firm of relevant documentation of the audit work performed to the group auditor situated in a third country if such documentation is necessary for the preparation of the audit of consolidated financial statements of the parent undertaking.

Or. en

Amendment 79
Proposal for a regulation
Article 14 – paragraph 1 – subparagraph 1

Text proposed by the Commission

1. When carrying out the statutory audit of a public-interest entity, the statutory auditor or audit firm shall take the necessary steps with a view to forming an opinion as to whether the annual or consolidated financial statements of the public-interest entity give a true and fair view in accordance with the relevant financial reporting framework **and, where appropriate, whether such annual or consolidated financial statements comply with statutory requirements as referred to in Article 22.**

Amendment

1. When carrying out the statutory audit of a public-interest entity, the statutory auditor or audit firm shall **perform the audit in accordance with the international auditing standards referred to in Article 26 of Directive 2006/43/EC and shall** take the necessary steps with a view to forming an opinion as to whether the annual or consolidated financial statements of the public-interest entity give a true and fair view **and have been prepared** in accordance with the relevant financial reporting framework.

Or. en

Amendment 80
Proposal for a regulation
Article 14 – paragraph 1 – subparagraph 2

Text proposed by the Commission

Amendment

Such steps shall include at least the requirements set out in Articles 15 to 20.

deleted

Or. en

Amendment 81
Proposal for a regulation
Article 15 – paragraph 1

Text proposed by the Commission

Amendment

When carrying out the statutory audit of a public-interest entity, the statutory auditor or audit firm shall maintain professional scepticism throughout the audit, recognizing the possibility that a material misstatement due to facts or behaviour indicating irregularities, including fraud or error could exist, notwithstanding the auditor's or firm's past experience of the honesty and integrity of the audited entity's management and of the persons charged with its governance.

When carrying out the statutory audit of a public-interest entity, the statutory auditor or audit firm shall maintain professional scepticism throughout the audit, recognising the possibility that a material misstatement due to facts or behaviour indicating irregularities, including fraud or error could exist, notwithstanding the auditor's or firm's past experience of the honesty and integrity of the audited entity's management and of the persons charged with its governance, ***as required by the international auditing standards referred to in Article 26 of Directive 2006/43/EC.***

Or. en

Amendment 82
Proposal for a regulation
Article 15 – paragraph 2

Text proposed by the Commission

Amendment

The statutory auditor or the audit firm shall maintain professional scepticism in particular when reviewing management

deleted

estimates relating to fair values and the impairment of goodwill and other intangible and future cash flow relevant to the consideration of the going concern.

Or. en

Amendment 83
Proposal for a regulation
Article 16 – paragraph 1 – subparagraph 1

Text proposed by the Commission

1. When the statutory audit of a public-interest entity is carried out by an audit firm, that audit firm shall designate at least one key audit partner. The audit firm shall provide the designated audit partner(s) with sufficient resources to carry out his, her or ***their*** duties appropriately.

Amendment

1. When the statutory audit of a public-interest entity is carried out by an audit firm, that audit firm shall designate at least one key audit partner ***with the appropriate competence, capabilities and authority to carry out his, her or their duties appropriately.*** The audit firm shall provide the designated audit partner(s) with sufficient resources ***and with personnel that have the necessary competence and capabilities*** to carry out his, her or ***its*** duties appropriately.

Or. en

Amendment 84
Proposal for a regulation
Article 16 – paragraph 3 – subparagraph 1

Text proposed by the Commission

3. The statutory auditor or the audit firm shall ***keep records of the cases in which their employees do not respect this Regulation. They shall also keep records of any consequence thereof, including the measures taken towards those employees and the measures taken to modify the internal*** quality control system. ***The statutory auditor or the audit firm shall prepare an annual report with an***

Amendment

3. The statutory auditor or the audit firm shall ***implement*** quality control ***procedures at the engagement level that are consistent with the international auditing standards referred to in Article 26 of Directive 2006/43/EC.***

overview of any such measures taken and communicate it to the employees.

Or. en

Amendment 85
Proposal for a regulation
Article 16 – paragraph 3 – subparagraph 2

Text proposed by the Commission

Amendment

When the statutory auditor or the audit firm ask external experts for advice, he, she or it shall document the request made and advice received.

deleted

Or. en

Amendment 86
Proposal for a regulation
Article 16 – paragraph 5 – subparagraph 1

Text proposed by the Commission

Amendment

5. A statutory auditor or an audit firm shall create an audit file for each statutory audit carried out. The audit file shall contain at least the ***following data and documents, either in paper form or in electronic form:***

5. A statutory auditor or an audit firm shall create an audit file for each statutory audit carried out. The audit file shall contain at least the ***documentation for the statutory audit carried out as required by the international standards on auditing referred to in Article 26 of Directive 2006/43/EC. The statutory auditor or audit firm shall also document*** the data recorded pursuant to Article 11(3), Article 16(3), ***Articles 17 and 19(6).***

(a) the contract between the statutory auditor or the audit firm and the audited entity, and any amendments thereto;

The statutory auditor or audit firm shall retain any other data and documents that are of importance in support of the reports referred to in Articles 22 and 23 and for monitoring compliance with this Regulation and other applicable legal requirements.

(b) the correspondence with the audited

- entity related to the statutory audit;*
- (c) an audit plan setting out the probable scope and method of the statutory audit;*
- (d) a description of the nature and the extent of the auditing activities carried out;*
- (e) the starting and ending dates of the phases of audit procedures set out in the audit plan;*
- (f) the principal findings of the audit procedures carried out;*
- (g) the conclusions drawn from the findings referred to under point (f);*
- (h) the opinion of the statutory auditor or the key audit partner as evidenced by the drafts of the reports referred to in Articles 22 and 23;*
- (i) the data recorded pursuant to Article 11(3), Article 16(3), Articles 17 and 18 and 19(6);*
- (j) other relevant data and documents that are of importance in support of the reports referred to in Articles 22 and 23 and for monitoring compliance with this Regulation and other applicable legal requirements.*

Or. en

Amendment 87
Proposal for a regulation
Article 16 – paragraph 5 – subparagraph 2

Text proposed by the Commission

The audit file shall be closed no later than **two months** after the date of signature of the audit report referred to in Article 22.

Amendment

The audit file shall be closed no later than **sixty days** after the date of signature of the audit report referred to in Article 22.

Or. en

Amendment 88
Proposal for a regulation
Article 17 – paragraph 1 – subparagraph 1

Text proposed by the Commission

1. Where ***an incident which has or may have serious consequences for the integrity of the statutory audit activities of a*** statutory auditor or ***an*** audit firm ***occurs***, the statutory auditor or the audit firm shall:

- (a) keep record of the ***incident***;
- (b) take appropriate measures ***with a view to managing the consequences of the incident and prevent any recurrence***;
- (c) inform the competent authority referred to in Article 35(1) of the ***incident***.

Amendment

1. Where ***the*** statutory auditor or audit firm ***becomes aware of any event or development which is likely to have material consequences for the audit opinion***, the statutory auditor or the audit firm shall:

- (a) keep ***a*** record of the ***event or development***;
- (b) take appropriate measures, ***as required by the relevant international auditing standards, in response to the event or development***;
- (c) inform the competent authority referred to in Article 35(1) of the ***event or development forthwith if, having taken appropriate measures, the auditor continues to believe that the event or development is likely to have material consequences for the audit opinion***.

Or. en

Amendment 89
Proposal for a regulation
Article 17 – paragraph 2 – subparagraph 3

Text proposed by the Commission

The disclosure in good faith to the competent authorities, by the statutory auditor or audit firm, of any fact referred to in the first subparagraph shall not constitute a breach of any contractual or legal restriction on disclosure of information and shall not involve such persons in liability of any kind.

Amendment

The disclosure in good faith to the competent authorities, by the statutory auditor or audit firm, of any fact ***or behaviour*** referred to in the first subparagraph shall not constitute a breach of any contractual or legal restriction on disclosure of information and shall not involve such persons in liability of any kind.

Amendment 90
Proposal for a regulation
Article 18 – paragraph 1 – subparagraph 1– point c

Text proposed by the Commission

(c) **carry out a review and maintain documentation of his, her or its review of** the audit work performed by third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) for the purpose of the group audit. The documentation retained by the group auditor shall enable the relevant competent authority to review the work of the group auditor **properly**.

Amendment

(c) **evaluate** the audit work performed by third-country auditor(s) **or** statutory auditor(s) **and** third-country audit entity(ies) or audit firm(s) for the purpose of the group audit **and document the nature, timing and extent of involvement in the work performed by those auditors, including where applicable the auditor's review of relevant parts of those auditors' audit documentation**. The documentation retained by the group auditor shall enable the relevant competent authority to review the work of the group auditor.

Or. en

Amendment 91
Proposal for a regulation
Article 18 – paragraph 1 – subparagraph 2

Text proposed by the Commission

For the purpose of point (c) of the first subparagraph, the group auditor shall secure the agreement of the third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) to the transfer of relevant *documentation* during the conduct of the audit of consolidated financial statements, as a condition of the **reliance** by the group auditor **on** the work of that third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s).

Amendment

For the purpose of point (c) of the first subparagraph, the group auditor shall secure the agreement of the third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) to the transfer of relevant *documentation* during the conduct of the audit of consolidated financial statements, as a condition of the **use** by the group auditor **of** the work of that third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s).

Or. en

Amendment 92
Proposal for a regulation
Article 19 – paragraph 1

Text proposed by the Commission

1. Before the reports referred to in Articles 22 and 23 are issued, an **internal** quality control review shall be performed to assess whether the statutory auditor or the key audit partner could reasonably have come to the opinion and conclusions expressed in the draft of *these* reports.

Amendment

1. Before the reports referred to in Articles 22 and 23 are issued, an **engagement** quality control review shall be performed to assess whether the statutory auditor or the key audit partner could reasonably have come to the opinion and conclusions expressed in the draft of *those* reports **in accordance with the international auditing standards referred to in Article 26 of Directive 2006/43/EC**.

Or. en

Amendment 93
Proposal for a regulation
Article 19 – paragraph 3 – introductory wording

Text proposed by the Commission

3. When **reviewing** the **internal** quality control, the reviewer shall **record** at least the following:

Amendment

3. When **performing** the **engagement** quality control **review**, the reviewer shall **carry out an objective evaluation of** at least the following:

Or. en

Amendment 94
Proposal for a regulation
Article 19 – paragraph 3 – point a

Text proposed by the Commission

(a) the oral and written information provided by the statutory auditor or key audit partner to support the main findings of the audit procedures carried out and the

Amendment

(a) the oral and written information provided by the statutory auditor or key audit partner to support the **significant judgements and** main findings of the audit

conclusions drawn from those findings, whether or not at the request of the *internal* quality control reviewer;

procedures carried out and the conclusions drawn from those findings, whether or not at the request of the *engagement* quality control reviewer;

Or. en

Amendment 95
Proposal for a regulation
Article 19 – paragraph 3 – point c

Text proposed by the Commission

(c) the main findings of the audit procedures carried out and the conclusions drawn from those findings;

Amendment

(c) the *significant judgements and* main findings of the audit procedures carried out and the conclusions drawn from those findings;

Or. en

Amendment 96
Proposal for a regulation
Article 20

Text proposed by the Commission

The statutory auditor(s) or the audit firm(s) shall comply with the international auditing standards referred to in Article 26 of Directive 2006/43/EC when carrying out the statutory audit of public-interest entities *as long as those standards are in conformity with the requirements of this Regulation.*

Amendment

The statutory auditor(s) or the audit firm(s) shall comply with the international auditing standards referred to in Article 26 of Directive 2006/43/EC when carrying out the statutory audit of public-interest entities.

Or. en

Amendment 97
Proposal for a regulation
Article 22 – paragraph 1

Text proposed by the Commission

1. The statutory auditor or the audit firm shall present the results of the statutory audit of the public-interest entity in an audit report.

Amendment

1. The statutory auditor or the audit firm shall present the results of the statutory audit of the public-interest entity in an audit report ***prepared in accordance with the international auditing standards referred to in Article 26 of Directive 2006/43/EC.***

Or. en

Amendment 98
Proposal for a regulation
Article 22 – paragraph 2 – point b

Text proposed by the Commission

(b) ***specify the annual or consolidated financial statements and*** the date and period ***they cover;***

Amendment

(b) ***identity of the title of each financial statement included in the annual or consolidated financial statements of the individual entity or consolidated group and state*** the date and period ***covered by the financial statements of the individual entity or consolidated group;***

Or. en

Amendment 99
Proposal for a regulation
Article 22 – paragraph 2 – point c

Text proposed by the Commission

(c) ***explain, where additional reports have been reviewed, the scope of such review;***

Amendment

(c) ***report concerning whether the consistency, in all material respects, or otherwise of the management report or consolidated management report with other reports accompanying the annual financial statements or consolidated financial statements, respectively, for the same financial year, and report on whether, based on the audit, the auditor***

has identified material inconsistencies between the audited financial statements and any other information in a document(s), if any, containing or accompanying those financial statements, and to clearly identify in the auditor's report that other information and include a description of the auditor's responsibilities in this regard in accordance with the requirements of the international auditing standards as referred to in Article 26 of Directive 2006/43/EC.

Or. en

Amendment 100
Proposal for a regulation
Article 22 – paragraph 2 – point d

Text proposed by the Commission

(d) *identify* which body *within the audited entity appointed* the statutory auditor(s) or the audit firm(s);

Amendment

(d) *if not already disclosed in the management report or the annual financial statements for the same financial year, state by whom or by which body the appointment of the statutory auditor(s) or audit firm(s) was made;*

Or. en

Amendment 101
Proposal for a regulation
Article 22 – paragraph 2 – point e

Text proposed by the Commission

(e) indicate the date of the appointment and the period of total uninterrupted engagement including previous renewals and reappointments;

Amendment

(e) *if not already disclosed in the management report or the annual financial statements for the same financial year, indicate the date of the appointment of the statutory auditor(s) or the audit firm and the period of total uninterrupted engagement including previous renewals and reappointments of the statutory auditor(s) or the audit firm;*

Amendment 102
Proposal for a regulation
Article 22 – paragraph 2 – point f

Text proposed by the Commission

(f) indicate that the statutory audit was conducted in accordance with the international standards on auditing *as* referred to in *Article 20*;

Amendment

(f) indicate that the statutory audit was conducted in accordance with the international standards on auditing referred to in *Article 26 of Directive 2006/43/EC*;

Amendment 103
Proposal for a regulation
Article 22 – paragraph 2 – point f a (new)

Text proposed by the Commission

Amendment

(fa) in support of the audit opinion on the true and fair view of annual or consolidated financial statements as a whole, as required in point (t), provide for each significant audit risk – as defined in accordance with the international standards on auditing referred to in Article 26 of Directive 2006/43/EC – information provided in audit report shall include the following:

(i) a description of the most important assessed risks of material misstatement, including assessed risk(s) of material misstatement due to fraud;

(ii) a summary of the auditor's response to those risks; and

(iii) key observations from that audit work.

Where relevant to the above information provided in the audit report on each significant audit risk, a clear reference to the relevant disclosures in the financial statements shall be provided.

The information referred to above in respect of most important assessed risks of material misstatement that is to be disclosed in the audit report shall be selected from the matters discussed with the audit committee of the entity in accordance with the requirements of the international auditing standards as referred to in Article 26 of Directive 2006/43/EC.

Or. en

Amendment 104
Proposal for a regulation
Article 22 – paragraph 2 – point h

Text proposed by the Commission

Amendment

(h) describe the used methodology, including how much of the balance sheet has been directly verified and how much has been based on system and compliance testing;

deleted

Or. en

Amendment 105
Proposal for a regulation
Article 22 – paragraph 2 – point i

Text proposed by the Commission

Amendment

(i) explain any variation in the weighting of substantive and compliance testing when compared to the previous year, even if the previous year's statutory audit had been conducted by another statutory auditor(s) or audit firm(s);

deleted

Or. en

Amendment 106
Proposal for a regulation
Article 22 – paragraph 2 – point j

Text proposed by the Commission

Amendment

(j) lay out the details of the level of materiality applied to perform the statutory audit;

deleted

Or. en

Amendment 107
Proposal for a regulation
Article 22 – paragraph 2 – point k

Text proposed by the Commission

Amendment

(k) identify key areas of risk of material misstatement of the annual or consolidated financial statements, including critical accounting estimates or areas of measurement uncertainty;

deleted

Or. en

Amendment 108
Proposal for a regulation
Article 22 – paragraph 2 – point l

Text proposed by the Commission

Amendment

(l) provide a statement on the situation of the audited entity or, in case of the statutory audit of consolidated financial statements, of the parent undertaking and the group, especially an assessment of the entity's or the parent undertaking's and group's ability to meet its/their obligation in the foreseeable future and therefore continue as a going concern;

(l) provide:

(i) a conclusion on the appropriateness of management's use of the going concern assumption in the preparation of the financial statements in accordance with the applicable financial reporting framework; and

(ii) a statement as to whether, based on

the audit, the auditor has identified a material uncertainty(ies) related to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern that the auditor believes needs to be disclosed in accordance with the applicable financial reporting framework;

Or. en

Amendment 109
Proposal for a regulation
Article 22 – paragraph 2 – point m

Text proposed by the Commission

Amendment

(m) assess the entity's or, in case of consolidated financial statements, the parent undertaking's internal control system, including significant internal control deficiencies identified during the statutory audit, as well as the bookkeeping and accounting system;

deleted

Or. en

Amendment 110
Proposal for a regulation
Article 22 – paragraph 2 – point n

Text proposed by the Commission

Amendment

(n) explain to what extent the statutory audit was designed to detect irregularities, including fraud;

deleted

Or. en

Amendment 111
Proposal for a regulation
Article 22 – paragraph 2 – point o

Text proposed by the Commission

Amendment

(o) indicate and explain any violation of accounting rules or violation of laws or the articles of incorporations, accounting policy decisions and other matters that are significant for the governance of the entity;

deleted

Or. en

Amendment 112
Proposal for a regulation
Article 22 – paragraph 2 – point q

Text proposed by the Commission

Amendment

(q) declare that the non-audit services referred to in Article 10(3) were not provided and that the statutory auditor(s) or the audit firm(s) remained ***completely*** independent in conducting the audit. Where the statutory audit was carried out by an audit firm, the report shall ***identify each member of the audit engagement team and shall*** state that all members remained ***completely*** independent ***and had no direct or indirect interest in*** the audited entity;

(q) declare that the ***prohibited*** non-audit services referred to in Article 10(3) were not provided and that the statutory auditor(s) or the audit firm(s) remained independent in conducting the audit; ***declare that non-audit and non-assurance services provided to the audited public-interest entity other than those referred to in Article 10(2) had appropriate involvement of the audit committee or have been approved by the audit committee.*** Where the statutory audit was carried out by an audit firm, the report shall state that all members ***of the engagement team*** remained independent ***of*** the audited entity;

Or. en

Amendment 113
Proposal for a regulation
Article 22 – paragraph 2 – point r

Text proposed by the Commission

Amendment

(r) indicate the non-audit services referred to in Article 10(3)(b)(i) and (ii) that the audit committee allowed the statutory

deleted

auditor or the audit firm to provide to the audited entity;

Or. en

Amendment 114
Proposal for a regulation
Article 22 – paragraph 2 – point s

Text proposed by the Commission

Amendment

(s) indicate the non-audit services referred to in Article 10(3)(b)(iii) and (iv) that the competent authority referred to in Article 35(1) allowed the statutory auditor or the audit firm to provide to the audited entity;

deleted

Or. en

Amendment 115
Proposal for a regulation
Article 22 – paragraph 2 – point t

Text proposed by the Commission

Amendment

(t) give an opinion which shall state clearly the opinion of the statutory auditor(s) or the audit firm(s) as to whether the annual or consolidated financial statements give a true and fair view ***and have been prepared*** in accordance with the relevant financial reporting framework and, ***where appropriate, whether the annual or consolidated financial statements*** comply with statutory requirements; the audit opinion shall be either ***unqualified***, qualified, an adverse opinion or, if the statutory auditor(s) or audit firm(s) are unable to express an audit opinion, a disclaimer of opinion. In case of a qualified or an adverse opinion or a disclaimer of opinion, the report shall explain the reasons of such decision;

(t) give an opinion which shall state clearly the opinion of the statutory auditor(s) or the audit firm(s) as to whether the annual or consolidated financial statements give a true and fair view ***of the financial position of the individual entity or consolidated group and of its financial performance and its cash flows*** in accordance with the relevant financial reporting framework and, comply with statutory ***accounting*** requirements; the audit opinion shall be either ***unmodified***, qualified, an adverse opinion or, if the statutory auditor(s) or audit firm(s) are unable to express an audit opinion, a disclaimer of opinion. In *the* case of a qualified or an adverse opinion or a disclaimer of opinion, the ***audit*** report shall explain the reasons of such decision;

Or. en

Amendment 116

Proposal for a regulation

Article 22 – paragraph 2 – point u

Text proposed by the Commission

(u) refer to any matters to which the statutory auditor(s) or the audit firm(s) draw attention by way of emphasis without **qualifying** the audit opinion;

Amendment

(u) refer to any **other** matters to which the statutory auditor(s) or the audit firm(s) **also** draw attention by way of emphasis without **modifying** the audit opinion;

Or. en

Amendment 117

Proposal for a regulation

Article 22 – paragraph 2 – point v

Text proposed by the Commission

(v) give an opinion concerning the consistency or otherwise of the annual report with the annual financial statements for the same fiscal year;

Amendment

deleted

Or. en

Amendment 118

Proposal for a regulation

Article 22 – paragraph 3

Text proposed by the Commission

3. When more than one statutory auditor or audit firm have been appointed to carry out the statutory audit of the public-interest entity, they shall agree on the results of the statutory audit and submit a joint report and opinion. ***In case of disagreement, each statutory auditor or audit firm shall submit his, her or its opinion separately. If one statutory auditor or audit firm qualifies his, her or its opinion, submits***

Amendment

3. When more than one statutory auditor or audit firm have been appointed to carry out the statutory audit of the public-interest entity, they shall agree on the results of the statutory audit and submit a joint report and opinion.

an adverse opinion or a disclaimer of opinion, the overall opinion shall be considered as qualified, adverse opinion or a disclaimer of opinion. In a separate paragraph each statutory auditor or audit firm shall state the reasons of disagreement.

Or. en

Amendment 119
Proposal for a regulation
Article 22 – paragraph 4

Text proposed by the Commission

4. The audit report shall not ***be longer than four pages or 10000 characters (without spaces)***. It shall not contain any cross-references to the additional report to the audit committee referred to in Article 23.

Amendment

4. The audit report shall not contain any cross-references to the additional report to the audit committee referred to in Article 23.

Or. en

Amendment 120
Proposal for a regulation
Article 22 – paragraph 5

Text proposed by the Commission

5. The audit report shall be signed and dated by the statutory auditor(s) or the audit firm(s). Where an audit firm carries out the statutory audit, the audit report shall be signed by ***at least*** the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm.

Amendment

5. The audit report shall be signed and dated by the statutory auditor(s) or the audit firm(s). Where an audit firm carries out the statutory audit, the audit report shall be signed by the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm.

Or. en

Amendment 121
Proposal for a regulation
Article 23 – paragraph 1 – subparagraph 4

Text proposed by the Commission

Amendment

The additional report shall be disclosed to the general meeting of the audited entity if the management or administrative body of the audited entity so decides.

deleted

Or. en

Amendment 122
Proposal for a regulation
Article 23 – paragraph 2 – point a

Text proposed by the Commission

Amendment

(a) include a declaration of independence as provided for in point (q) of Article 22(2);

(a) include a declaration of independence;

Or. en

Amendment 123
Proposal for a regulation
Article 23 – paragraph 2 – point b

Text proposed by the Commission

Amendment

(b) identify the dates of the meetings with the audit committee or the body performing equivalent functions within the audited entity;

(b) describe the nature and extent of communication with the audit committee, the management body and the administrative or supervisory body of the audited entity, including the frequency of such communication;

Or. en

Amendment 124
Proposal for a regulation
Article 23 – paragraph 2 – point c

Text proposed by the Commission

Amendment

(c) identify the dates of the meetings, if any, with the management, administrative or supervisory body of the audited entity;

deleted

Or. en

Amendment 125
Proposal for a regulation
Article 23 – paragraph 2 – point d

Text proposed by the Commission

Amendment

(d) describe the appointment procedure;

deleted

Or. en

Amendment 126
Proposal for a regulation
Article 23 – paragraph 2 – point e

Text proposed by the Commission

Amendment

(e) describe the distribution of tasks among the statutory auditor(s) and/or the audit firm(s);

(e) *include a description of the scope and timing of the audit, and where relevant describe:*

– the distribution of tasks among the statutory auditor(s) and/or the audit firm(s); ***and***

– ***which audit work has been performed by third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) in the case of a statutory audit of consolidated financial statements;***

Or. en

Amendment 127
Proposal for a regulation
Article 23 – paragraph 2 – point e a (new)

Text proposed by the Commission

Amendment

(ea) include significant findings from the statutory audit including:

(i) a statement of events or conditions identified in the course of the statutory audit that may cast significant doubt on the audited entity's ability to continue as a going concern and whether those events or conditions constitute a material uncertainty;

(ii) summary information on guarantees, comfort letters, undertakings of public intervention and other support measures that have been relied upon when making a going concern assessment;

(iii) details of any material errors or omissions in the accounting records, the annual or consolidated financial statements and other reports subject to audit identified during the course of the statutory audit;

(iv) matters involving non-compliance with laws and regulations identified during the course of the statutory audit, insofar as they are considered to be relevant in order to enable the audit committee to fulfil its tasks;

(v) any significant deficiencies in internal control that have been identified. For each such significant deficiency, the additional report shall state whether or not the deficiency in question has been resolved by the management. In addition, it shall include information regarding any additional audit procedures performed to compensate for the deficiency in the entity's internal control in the specific areas concerned;

(vi) the views of the statutory auditor or audit firm about the significant qualitative

aspects of the entity's accounting practices, including accounting policies, accounting estimates, valuations and financial statement disclosures;

(vii) any significant judgements as regards the application of principles of consolidation in the case of a statutory audit of consolidated financial statements;

(viii) a statement of any significant difficulties encountered during the audit;

(ix) a statement of any significant matters arising from the audit that were discussed, or the subject of correspondence, with the management;

(x) a statement of any other matters arising from the statutory audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process;

(xi) a statement as to whether all requested explanations and documents were provided by the audited entity.

Or. en

Amendment 128
Proposal for a regulation
Article 23 – paragraph 2 – point g

Text proposed by the Commission

Amendment

(g) determine in detail whether the bookkeeping, the accounting, all audited documents, the annual or consolidated financial statements and possible additional reports show appropriateness;

deleted

Or. en

Amendment 129
Proposal for a regulation
Article 23 – paragraph 2 – point h

Text proposed by the Commission

Amendment

(h) indicate and explain in detail all instances of non-compliance, including non-material instances as far as it is considered to be important to the audit committee in order to fulfil its tasks; ***deleted;***

Or. en

Amendment 130
Proposal for a regulation
Article 23 – paragraph 2 – point i

Text proposed by the Commission

Amendment

(i) assess the valuation methods applied to the various items in the annual or consolidated financial statements including any impact of changes of such; ***deleted***

Or. en

Amendment 131
Proposal for a regulation
Article 23 – paragraph 2 – point j

Text proposed by the Commission

Amendment

(j) provide full details of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been relied upon when making a going concern assessment; ***deleted***

Or. en

Amendment 132
Proposal for a regulation
Article 23 – paragraph 2 – point k

Text proposed by the Commission

Amendment

(k) confirm the attendance at stock takes as well as other instances of physical verification, in case such stock takes or verifications took place; ***deleted***

Or. en

Amendment 133
Proposal for a regulation
Article 23 – paragraph 2 – point l

Text proposed by the Commission

Amendment

(l) indicate and explain the principles of consolidation in the case of a statutory audit of consolidated financial statements; ***deleted***

Or. en

Amendment 134
Proposal for a regulation
Article 23 – paragraph 2 – point m

Text proposed by the Commission

Amendment

(m) indicate which audit work is performed by third-country auditor(s), statutory auditor(s), third-country audit entity(ies) or audit firm(s) in case of a statutory audit of consolidated financial statements; ***deleted***

Or. en

Amendment 135
Proposal for a regulation
Article 23 – paragraph 2 – point n

Text proposed by the Commission

(n) indicate whether all requested explanations and documents were provided by the audited entity.

Amendment

deleted

Or. en

Amendment 136
Proposal for a regulation
Article 23 – paragraph 4

Text proposed by the Commission

4. The additional report to the audit committee shall be signed and dated by the statutory auditor(s) or the audit firm(s). Where an audit firm carries out the statutory audit, the additional report to the audit committee shall be signed by *at least* the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm.

Amendment

4. The additional report to the audit committee shall be signed and dated by the statutory auditor(s) or the audit firm(s). Where an audit firm carries out the statutory audit, the additional report to the audit committee shall be signed by the statutory auditor(s) carrying out the statutory audit on behalf of the audit firm.

Or. en

Amendment 137
Proposal for a regulation
Article 24 – paragraph 2

Text proposed by the Commission

The statutory auditor(s) or audit firm(s) shall report to the audit committee on key matters arising from the statutory audit, and in particular on *material weaknesses* in internal control in relation to the financial reporting process. Upon request of any of the parties, the statutory auditor(s) or audit firm(s) shall discuss these matters with the audit committee.

Amendment

The statutory auditor(s) or audit firm(s) shall report to the audit committee on key matters arising from the statutory audit, and in particular on *significant deficiencies* in internal control in relation to the financial reporting process. Upon request of any of the parties, the statutory auditor(s) or audit firm(s) shall discuss these matters with the audit committee.

Amendment 138
Proposal for a regulation
Article 24 – paragraph 4

Text proposed by the Commission

In is the instance of the audited entity ***being*** exempted from the obligation to have an audit committee, the audited entity shall decide which body or organ of the entity *shall* engage with the statutory auditor or audit firm for the purposes of the obligations set out in this Article.

Amendment

Where the audited entity ***is*** exempted from the obligation to have an audit committee, the audited entity shall decide which body or organ of the entity *is to* engage with the statutory auditor or audit firm for the purposes of the obligations set out in this Article.

Or. en

Amendment 139
Proposal for a regulation
Article 25 – paragraph 1 – subparagraph 1 – introductory wording

Text proposed by the Commission

1. Without prejudice to Article 55 of Directive 2004/39/EC, Article 53 of Directive 2006/48/EC of the European Parliament and of the Council, Article 15(4) of Directive 2007/64/EC, Article 106 of Directive 2009/65/EC, the first paragraph of Article 3 of Directive 2009/110/EC and Article 72 of Directive 2009/138/EC of the European Parliament and of the Council, the statutory auditor or audit firm carrying out the statutory audit of a public-interest entity shall have a duty to report promptly to ***the competent authorities supervising public-interest entities any fact or decision*** concerning that public-interest entity of which he, she or it has become aware while carrying out that statutory audit and which is liable to bring about any of the following:

Amendment

1. Without prejudice to Article 55 of Directive 2004/39/EC, Article 53 of Directive 2006/48/EC of the European Parliament and of the Council, Article 15(4) of Directive 2007/64/EC, Article 106 of Directive 2009/65/EC, the first paragraph of Article 3 of Directive 2009/110/EC and Article 72 of Directive 2009/138/EC of the European Parliament and of the Council, the statutory auditor or audit firm carrying out the statutory audit of a public-interest entity shall have a duty to report promptly to ***any authority responsible for supervising the public interest entity that it audits any information*** concerning that public-interest entity of which he, she or it has become aware while carrying out that statutory audit and which ***has brought about or*** is liable to bring about any of the following:

Amendment 140
Proposal for a regulation
Article 25 – paragraph 1 – subparagraph 1 – point b

Text proposed by the Commission

(b) *the impairment of* the continuous functioning of the public-interest entity;

Amendment

(b) *a material threat to, or material doubt concerning,* the continuous functioning of the public-interest entity;

Or. en

Amendment 141
Proposal for a regulation
Article 25 – paragraph 1 – subparagraph 1 – point c

Text proposed by the Commission

(c) a refusal to *certify* the financial statements or the *expression* of *reservations*.

Amendment

(c) a refusal to *issue an audit opinion on* the financial statements or the *issuing* of *an adverse disclaimed or qualified opinion*.

Or. en

Amendment 142
Proposal for a regulation
Article 25 – paragraph 1 – subparagraph 2

Text proposed by the Commission

The statutory auditor or the audit firm shall also have a duty to report any facts and decisions of which he, she or it becomes aware in the course of carrying out the statutory audit of an undertaking *having close links with* the public-interest entity for which he, she or it is also carrying out the statutory audit.

Amendment

The statutory auditor or the audit firm shall also have a duty to report any facts and decisions *referred to in points (a), (b) or (c)* of which he, she or it becomes aware in the course of carrying out the statutory audit of an undertaking *whose financial information is incorporated or should be incorporated into the financial statements*

of the public-interest entity for which he, she or it is also carrying out the statutory audit.

Or. en

Amendment 143
Proposal for a regulation
Article 25 – paragraph 2 – subparagraph 1

Text proposed by the Commission

2. **Competent** authorities supervising credit institutions and insurance undertakings **shall establish regular a dialogue with** the statutory auditors and audit firms carrying out the statutory audit of those institutions and undertakings.

Amendment

2. **A regular dialogue shall be established between**

(i) the competent authorities supervising credit institutions and insurance undertakings **and the bodies responsible for financial stability and**

(ii) the statutory auditors and audit firms carrying out the statutory audit of those institutions and undertakings.

Or. en

Amendment 144
Proposal for a regulation
Article 25 – paragraph 3

Text proposed by the Commission

3. The disclosure in good faith to the competent authorities, by the statutory auditor or audit firm, of any fact or decision referred to in paragraph 1 or of any fact during the dialogue **foreseen** in paragraph 2 shall not constitute a breach of any contractual or legal restriction on disclosure of information and shall not involve such persons in liability of any

Amendment

3. The disclosure in good faith to the competent authorities **or to the bodies responsible for financial stability**, by the statutory auditor or audit firm, of any fact, **information, opinion** or decision referred to in paragraph 1 or of any fact, **information or opinion emerging** during the dialogue **provided for in** paragraph 2 shall not constitute a breach of any

kind.

contractual or legal restriction on disclosure of information and shall not involve such persons in liability of any kind.

Or. en

Amendment 145
Proposal for a regulation
Article 26 – paragraph 2 – subparagraph 1

Text proposed by the Commission

2. The annual financial report and the annual income statement shall show the total turnover divided into fees from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity, fees from the statutory audit of annual and consolidated financial statements of other entities and fees charged for related **financial audit** services as defined in Article 10(2).

Amendment

2. The annual financial report and the annual income statement shall show the total turnover divided into fees from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity, fees from the statutory audit of annual and consolidated financial statements of other entities and fees charged for **audit-related and other assurance services and non-audit services other than prohibited non-audit** services as defined in Article 10(2).

Or. en

Amendment 146
Proposal for a regulation
Article 26 – paragraph 2 – subparagraph 2

Text proposed by the Commission

The annual financial report **or** the annual income statement shall be **audited in accordance with the provisions of this Regulation**.

Amendment

The annual financial report **and** the annual income statement shall be **subject to statutory audit**.

Or. en

Amendment 147
Proposal for a regulation
Article 26 – paragraph 3 – subparagraph 1 – introductory wording

Text proposed by the Commission

Amendment

3. Where the statutory auditor or the audit firm belongs to a network, the statutory auditor or the audit firm shall provide the following additional information in the annual financial report or as an annex to the annual income statement:

3. Where the statutory auditor or the audit firm belongs to a network, the statutory auditor or the audit firm shall provide the following additional information in the annual financial report or as an annex to the annual income statement, ***or in the transparency report required by Article 27:***

Or. en

Amendment 148

Proposal for a regulation
Article 26 – paragraph 3 – point d

Text proposed by the Commission

Amendment

(d) ***the audited consolidated financial statements for the network and,*** where there is a legal entity governing the network, the audited financial statements of such legal entity prepared in accordance with Article 4(3) of Directive 2004/109/EC.

(d) where there is a legal entity governing the network, the audited financial statements of such legal entity prepared in accordance with Article 4(3) of Directive 2004/109/EC.

Or. en

Amendment 149
Proposal for a regulation
Article 27 – paragraph 1 – subparagraph 1

Text proposed by the Commission

Amendment

1. A statutory auditor or an audit firm that carries out statutory audit(s) of public-interest entities shall make public an annual transparency report at the latest

1. A statutory auditor or an audit firm that carries out statutory audit(s) of public-interest entities shall make public an annual transparency report at the latest

three months after the end of each financial year. The annual transparency report shall be published on the website of the statutory auditor or audit firm and shall remain available on that website for at least five years.

four months after the end of each financial year. The annual transparency report shall be published on the website of the statutory auditor or audit firm and shall remain available on that website for at least five years ***from the day of publication on the website.***

Or. en

Amendment 150
Proposal for a regulation
Article 29

Text proposed by the Commission

A statutory auditor or audit firm shall provide annually to his, her or its competent authority a list of the ***audited*** public-interest entities ***by revenue generated from them.***

Amendment

A statutory auditor or audit firm shall provide annually to his, her or its competent authority a list of ***all*** the public-interest entities ***audited by that statutory auditor or audit firm, together with details of the services provided to, and the fees received in respect of each category or service from, each public-interest entity.***

Or. en

Amendment 151
Proposal for a regulation
Article 31 – paragraph 1 – subparagraph 2

Text proposed by the Commission

At least one member of the audit committee shall have competence ***in auditing and another member*** in accounting and/or auditing. The committee members as a whole shall have competence relevant to the sector in which the audited entity is operating.

Amendment

At least one member of the audit committee shall have competence in accounting and/or auditing. The committee members as a whole shall have competence relevant to the sector in which the audited entity is operating.

Or. en

Amendment 152
Proposal for a regulation
Article 31 – paragraph 1 – subparagraph 2 a (new)

Text proposed by the Commission

Amendment

The members of the audit committee shall be required to take part in appropriate programmes of continuing education in order to acquire and/or maintain their theoretical knowledge, professional skills and values at a sufficiently high level.

Or. en

Amendment 153
Proposal for a regulation
Article 31 – paragraph 3 – subparagraph 1– point b

Text proposed by the Commission

Amendment

(b) any public-interest entity which is an undertaking for collective investment in transferable securities (UCITS) as defined in Article 1(2) of Directive 2009/65/EC or an alternative investment fund (AIF) as defined in Article 4(1)(a) of Directive 2011/61/EU;

deleted

Or. en

Amendment 154
Proposal for a regulation
Article 31 – paragraph 5 – point e

Text proposed by the Commission

Amendment

(e) be responsible for the procedure on the selection of statutory auditor(s) or audit firm(s) and recommend the statutory auditor(s) or audit firm(s) to be appointed in accordance with Articles 32;

(e) be responsible for the procedure for the selection of statutory auditor(s) or audit firm(s);

Or. en

Amendment 155
Proposal for a regulation
Article 31 – paragraph 5 – point f

Text proposed by the Commission

(f) **authorise, on a case by case basis**, the provision by the statutory auditor or audit firm **of the services referred to in Article 10(3)(b)(i) and (ii) of this Regulation** to the audited entity.

Amendment

(f) **approve** the provision by the statutory auditor or audit firm of **non-audit services as referred to in Article 10** to the audited entity **and its controlled undertakings within the Union**.

Or. en

Amendment 156
Proposal for a regulation
Article 32 – paragraph 1 – subparagraph 1

Text proposed by the Commission

1. For the purposes of the application of Article 37 of Directive 2006/43/EC, for the appointment of statutory auditors or audit firms by public-interest entities, the conditions set out in paragraphs 2 to 5 of this Article shall apply.

Amendment

1. For the purposes of the application of Article 37 of Directive 2006/43/EC, for the appointment of statutory auditors or audit firms by public-interest entities, the conditions set out in paragraphs 2 to 5 of this Article shall apply, **but may be subject to paragraph 9**.

Or. en

Amendment 157
Proposal for a regulation
Article 32 – paragraph 2 – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

In particular, the recommendation shall include a statement that the audit committee is satisfied that the nominated statutory auditor or audit firm is likely to be able to mitigate any threats to his, her or its independence.

Or. en

Amendment 158
Proposal for a regulation
Article 32 – paragraph 2 – subparagraph 2

Text proposed by the Commission

Amendment

Unless it concerns the renewal of an audit engagement in accordance with the second subparagraph of Article 33(1), the recommendation shall contain at least two choices for the audit engagement and the audit committee shall express a duly justified preference for one of them. *deleted*

Or. en

Amendment 159
Proposal for a regulation
Article 32 – paragraph 2 – subparagraph 3

Text proposed by the Commission

Amendment

When it concerns the renewal of an audit engagement in accordance with the second subparagraph of Article 33(1), the audit committee shall, for the preparation of its recommendation, take into consideration any findings and conclusions on the recommended statutory auditor or audit firm referred to in Article 40(6) and published by the competent authority pursuant to Article 44(d). *deleted*

Or. en

Amendment 160
Proposal for a regulation
Article 32 – paragraph 2 – subparagraph 4

Text proposed by the Commission

Amendment

In its recommendation, the audit committee shall state that its recommendation is free from influence by a third party and that no contractual clause as referred to in paragraph 7 has been imposed upon it.

The audit committee shall state that its recommendation is free from influence by a third party and that no contractual clause as referred to in paragraph 7 has been imposed upon it.

Or. en

Amendment 161
Proposal for a regulation
Article 32 – paragraph 2 – subparagraph 4 a (new)

Text proposed by the Commission

Amendment

The committee’s recommendation, including its statement on the nominee’s independence, shall be communicated to shareholders along with the resolution to appoint the statutory auditor or audit firm.

Or. en

Amendment 162
Proposal for a regulation
Article 32 – paragraph 3 – subparagraph 1 – introductory wording

Text proposed by the Commission

Amendment

3. Unless it concerns the renewal of an audit engagement in accordance with the second subparagraph of Article 33(1), the recommendation of the audit committee referred to in paragraph 2 ***of this Article,*** shall be prepared following a selection procedure organized by the audited entity respecting the following criteria:

3. The recommendation of the audit committee referred to in paragraph 2 shall be prepared following a selection procedure organized by the audited entity respecting the following criteria:

Or. en

Amendment 163
Proposal for a regulation
Article 32 – paragraph 3 – subparagraph 1 – point c

Text proposed by the Commission

(c) the audited entity shall prepare tender documents **to** the **intention** of the invited statutory auditor(s) or audit firm(s). Those tender documents shall allow them to understand the business of the audited entity and the type of statutory audit that is to be carried out. The tender documents shall contain transparent and non-discriminatory selection criteria that shall be used by the audited entity to evaluate the proposals made by statutory auditors or audit firms;

Amendment

(c) the audited entity shall prepare tender documents **for** the **attention** of the invited statutory auditor(s) or audit firm(s). Those tender documents shall allow them to understand the business of the audited entity and the type of statutory audit that is to be carried out. The tender documents shall contain transparent and non-discriminatory selection criteria that shall be used by the audited entity to evaluate the proposals made by statutory auditors or audit firms;

Or. en

Amendment 164
Proposal for a regulation
Article 32 – paragraph 3 – subparagraph 2

Text proposed by the Commission

The audit committee shall **be responsible for** the selection procedure referred to in the first subparagraph.

Amendment

The audit committee shall **carry out** the selection procedure referred to in the first subparagraph **on behalf of the board of directors**.

Or. en

Amendment 165
Proposal for a regulation
Article 32 – paragraph 4

Text proposed by the Commission

4. Public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive 2003/71/EC shall not be required to apply the selection

Amendment

4. Public-interest entities which meet the criteria set out in points (f) and (t) of Article 2(1) of Directive 2003/71/EC shall not be required to apply the selection

procedure referred to in *paragraph 4*.

procedure referred to in *paragraph 3*.

Or. en

Amendment 166
Proposal for a regulation
Article 32 – paragraph 5 – subparagraph 2

Text proposed by the Commission

If the proposal of the administrative or supervisory board departs from the recommendation of the audit committee, the proposal shall justify the reasons for not following the recommendation of the audit committee.

Amendment

If the proposal of the administrative or supervisory board departs from the recommendation of the audit committee, the proposal shall justify the reasons for not following the recommendation of the audit committee. ***However, the auditor or auditors recommended by the administrative or supervisory board must have participated in the selection procedure described in paragraph 3.***

Or. en

Amendment 167
Proposal for a regulation
Article 32 – paragraph 10

Text proposed by the Commission

10. In order to facilitate the exercise of the task of the audited entity to organize a selection procedure for the appointment of a statutory auditor or audit firm, EBA, EIOPA and ESMA shall issue guidelines addressed to the public-interest entities on the criteria governing the selection procedure referred to in paragraph 3, in accordance with Article 16 of Regulation (EU) No 1093/2010, of Regulation (EU) No 1094/2010 and of Regulation (EU) No 1095/2010, respectively.

Amendment

deleted

Or. en

Amendment 168
Proposal for a regulation
Article 33 – paragraph 1

Text proposed by the Commission

1. The public-interest entity shall appoint a statutory auditor or audit firm for an initial engagement ***that shall not be shorter than two years.***

The public-interest entity may renew this engagement ***only once.***

The maximum duration of ***the combined two engagements*** shall not exceed 6 years.

Where throughout a continuous engagement of 6 years two statutory auditors or audit firms have been appointed, the maximum duration of the engagement of each statutory auditor or audit firm shall not exceed 9 years.

Amendment

1. The public-interest entity shall appoint a statutory auditor or audit firm for an initial engagement ***of one year.***

The public-interest entity may renew this engagement ***on an annual basis provided that, prior to the appointment or re-appointment, either:***

(a) the audit committee has reported to the board that it has carried out an assessment of the threats to the independence of the statutory auditor or audit firm, as required by Article 31, and is satisfied that the statutory audit or audit firm has been able to and is likely to be able to continue to mitigate any threats to its independence; or

(b) where the competent authority has chosen to exercise its power under Article 38(6a), that authority has provided the entity with a statement affirming that it has no reason to object to the appointment of the auditor on the grounds of independence.

If neither the conditions laid down in point (a) nor those laid down in point (b) are complied with, the audit committee shall not recommend the statutory auditor or audit firm for reappointment.

The maximum ***unbroken*** duration of ***an audit engagement to a public-interest entity*** shall not exceed 25 years.

The public-interest entity shall report at least every seven years to the competent authority that it has carried out an assessment of the threats to the independence of the statutory auditor or audit firm, as required by Article 31, and is satisfied that the statutory auditor or

audit firm *is likely to be able to mitigate any threats to its independence.*

Or. en

Amendment 169
Proposal for a regulation
Article 33 – paragraph 3

Text proposed by the Commission

3. By way of derogation from paragraphs 1 and 2, on an exceptional basis the public-interest entity may request the competent authority referred to in Article 35(1) to grant an extension to re-appoint the statutory auditor or audit firm for an additional engagement. ***In case of appointment of two statutory auditors or audit firms, this third engagement shall not exceed three years. In case of appointment of one statutory auditor or audit firm, this third engagement shall not exceed two years.***

Amendment

3. By way of derogation from paragraphs 1 and 2, on an exceptional basis the public-interest entity may request the competent authority referred to in Article 35(1) to grant an extension to re-appoint the statutory auditor or audit firm for an additional engagement ***of one year, which may be renewed.***

Or. en

Amendment 170
Proposal for a regulation
Article 33 – paragraph 4 – subparagraph 1

Text proposed by the Commission

4. The key audit partner(s) responsible for carrying out a statutory audit shall cease his, her or their participation in the statutory audit of the audited entity after a period of seven years from the date of appointment has elapsed. He, she or they may participate in the statutory audit of the audited entity again after a period of at least three years.

Amendment

4. The key audit partner(s) responsible for carrying out a statutory audit shall cease his, her or their participation in the statutory audit of the audited entity after a ***maximum*** period of seven years from the date of appointment has elapsed. He, she or they may participate in the statutory audit of the audited entity again after a period of at least three years ***has elapsed since the date on which he, she or they resigned as statutory auditor or key audit partner from the audit engagement.***

Amendment 171
Proposal for a regulation
Article 33 – paragraph 6

Text proposed by the Commission

Amendment

6. ESMA shall develop draft regulatory technical standards to specify technical requirements on the content of the handover file referred to in paragraph 6.

deleted

Power is delegated to the Commission to adopt the regulatory technical standards referred to in paragraph 6 in accordance with Article 10 of Regulation (EU) No 1095/2010.

Amendment 172
Proposal for a regulation
Article 34 – paragraph 2 – subparagraph 1

Text proposed by the Commission

Amendment

2. The audit committee, one or more shareholders, the competent authorities referred to in Article 35(1) or 35(2) shall be able to bring a claim before a national court for the dismissal of the statutory auditor(s) or audit firm(s) where there are proper grounds.

2. The audit committee, one or more shareholders **representing at least 5 per cent of the share capital, or** the competent authorities referred to in Article 35(1) or 35(2) shall be able to bring a claim before a national court for the dismissal of the statutory auditor(s) or audit firm(s) where there are proper grounds.

Amendment 173
Proposal for a regulation
Article 36 – paragraph 2 – introductory wording

Text proposed by the Commission

A person shall not be involved in the governance of **those** authorities if in the course of the **three** previous years he or she:

Amendment

A **natural** person shall not be involved in the governance of **the competent** authorities **as defined in Article 35(1)** if in the course of the previous **two** years he or she:

Or. en

Amendment 174
Proposal for a regulation
Article 36 – paragraph 2 – point d

Text proposed by the Commission

(d) was an employee **or otherwise associated with** an audit firm.

Amendment

(d) was an employee **in** an audit firm.

Or. en

Amendment 175
Proposal for a regulation
Article 36 – paragraph 3

Text proposed by the Commission

The funding of those authorities shall be secure and free from **any possible** undue influence by statutory auditors and audit firms.

Amendment

The funding of those authorities shall be secure and free from undue influence by statutory auditors and audit firms.

Or. en

Amendment 176
Proposal for a regulation
Article 36 – paragraph 3 a (new)

Text proposed by the Commission

Amendment

By way of derogation from these

requirements, Member States may allow a minority of practitioners to be involved in the governance of the public oversight system.

Or. en

Amendment 177
Proposal for a regulation
Article 38 – paragraph 6 a (new)

Text proposed by the Commission

Amendment

6a. A competent authority may at its discretion, and on the basis of evidence, object to the renewal of audit engagements, pursuant to point (b) of the second subparagraph of Article 33(1). Any decision taken shall be accompanied by an appropriate statement of the grounds on which it is based.

Or. en

Amendment 178
Proposal for a regulation
Article 38 – paragraph 6 b (new)

Text proposed by the Commission

Amendment

6b. A competent authority may, on the basis of evidence, add to the list of prohibited non-audit services for statutory auditors and audit firms where it concludes that the provision of such services represents a threat to auditor independence.

Or. en

Amendment 179
Proposal for a regulation
Article 40 – paragraph 3 – subparagraph 1

Text proposed by the Commission

3. The competent authority shall **be responsible** for the quality assurance system and shall organise it in a manner that is **independent of** the reviewed statutory auditors and audit firms.

Amendment

3. The competent authority shall **have the ultimate responsibility** for the quality assurance system and shall organise it in a manner that is **free from undue influence by** the reviewed statutory auditors and audit firms.

Or. en

Amendment 180
Proposal for a regulation
Article 40 – paragraph 4 – subparagraph 3

Text proposed by the Commission

The competent authority may contract experts for carrying out specific inspections when the number of inspectors within the authority is insufficient. The competent authority may also be assisted by experts when this is essential for the proper conduct of an inspection. In such instances, the competent authorities and the experts shall comply with the requirements of this paragraph. **Experts shall be independent from professional associations and bodies.**

Amendment

The competent authority may contract experts for carrying out specific inspections when the number of inspectors within the authority is insufficient. The competent authority may also be assisted by experts when this is essential for the proper conduct of an inspection. In such instances, the competent authorities and the experts shall comply with the requirements of this paragraph.

Or. en

Amendment 181
Proposal for a regulation
Article 42 – paragraph 1 – subparagraph 2 – point a

Text proposed by the Commission

(a) the risks arising from high concentration, including the demise of

Amendment

deleted

audit firms with significant market share, the disruption in the provision of statutory audit services whether in a specific sector or across sectors, the further accumulation of risk in the market and the impact on the overall stability of the financial sector;

Or. en

Amendment 182
Proposal for a regulation
Article 42 – paragraph 1 – subparagraph 2 – point a (new)

Text proposed by the Commission

Amendment

(aa) the effects of the provision of non-audit services to public-interest entities on the quality of audit work and the independence of auditors;

Or. en

Amendment 183
Proposal for a regulation
Article 42 – paragraph 1 – subparagraph 2 – point a b (new)

Text proposed by the Commission

Amendment

(ab) the role of audit committees in monitoring the quality of audit work and safeguarding the independence of auditors;

Or. en

Amendment 184
Proposal for a regulation
Article 42 – paragraph 1 – subparagraph 2 – point b

Text proposed by the Commission

Amendment

(b) the need to adopt measures to *mitigate*

(b) the need to adopt measures to *address*

those risks.

the issues referred to in points (aa) and (ab).

Or. en

Amendment 185
Proposal for a regulation
Article 42 – paragraph 2 – subparagraph 1

Text proposed by the Commission

By X X 20XX [2 years after the entry into force of the Regulation], and at least on a two-year basis thereafter, each competent authority shall draw up a report on this issue and submit it to ESMA, EBA and EIOPA.

Amendment

By X X 20XX [**five** years after the entry into force of the Regulation], and at least on a two-year basis thereafter, each competent authority shall draw up a report on this issue and submit it to ESMA, EBA and EIOPA.

Or. en

Amendment 186
Proposal for a regulation
Article 43 – paragraph 1 – subparagraph 1

Text proposed by the Commission

1. Without prejudice to Article 52, competent authorities designated pursuant to Article 35(1) shall require at least the six largest audit firms in terms of statutory audits of **large** public-interest entities in each Member State to establish a contingency plan addressing a possible event threatening the continuity of operations of the concerned firm.

Amendment

1. Without prejudice to Article 52, competent authorities designated pursuant to Article 35(1) shall require at least the six largest audit firms in terms of statutory audits of public-interest entities in each Member State to establish a contingency plan addressing a possible event threatening the continuity of operations of the concerned firm.

Or. en

Amendment 187
Proposal for a regulation
Article 43 – paragraph 1 – subparagraph 2

Text proposed by the Commission

The competent authority shall make public a list of the firms concerned by the first subparagraph and update it annually. The competent authority shall use the information provided by statutory auditors and audit firms pursuant to **Article 28** to calculate which the largest six audit firms are.

Amendment

The competent authority shall make public a list of the firms concerned by the first subparagraph and update it annually. The competent authority shall use the information provided by statutory auditors and audit firms pursuant to **Article 29** to calculate which the largest six audit firms are.

Or. en

Amendment 188
Proposal for a regulation
Article 44 – point d

Text proposed by the Commission

(d) the *inspections findings and conclusions* referred to in **Article 40(6)**.

Amendment

(d) the *report* referred to in **Article 40(7)**.

Or. en

Amendment 189
Proposal for a regulation
Article 46 – paragraph 3 – subparagraph 1 – point a

Text proposed by the Commission

(a) *common standards on the content and presentation of the report referred to in Article 22;*

Amendment

deleted

Or. en

Amendment 190
Proposal for a regulation
Article 46 – paragraph 4 – subparagraph 1 – point b

Text proposed by the Commission

Amendment

(b) common standards on the content and presentation of the report referred to in Article 23; *deleted*

Or. en

**Amendment 191
Proposal for a regulation
Article 46 – paragraph 4 – subparagraph 6 – point a**

Text proposed by the Commission

Amendment

(a) the changes in the audit market structure; *deleted*

Or. en

**Amendment 192
Proposal for a regulation
Article 46 – paragraph 4 – subparagraph 6 – point c**

Text proposed by the Commission

Amendment

(c) an interim assessment on the improvement of audit quality and the impact of this Regulation on ***small and medium-sized enterprises which are*** public-interest entities;

(c) an interim assessment on the improvement of audit quality and the impact of this Regulation on public-interest entities, ***including particular consideration of small and medium-sized enterprises which are public-interest entities;***

Or. en

**Amendment 193
Proposal for a regulation
Article 50**

Article 50

deleted

European Quality Certificate

1. ESMA shall establish a European quality certificate for statutory auditors and audit firms carrying out statutory audits of public-interest entities.

The European quality certificate shall meet the following conditions:

(a) the European quality certificate shall be delivered by ESMA and shall be valid across the Union;

(b) Union auditors and audit firms meeting the relevant requirements shall be entitled to apply for the European quality certificate;

(c) ESMA shall publish the requirements for obtaining the European quality certificate. Such requirements shall be based on audit quality and the experience of the quality assurance systems referred to in Article 30 of Directive 2006/43/EC and Article 40 of this Regulation;

(d) ESMA shall charge fees to the applicant statutory auditors and audit firms for delivering the European quality certificate in accordance with the delegated act referred to in paragraph 4 of this Article. Those fees shall fully cover ESMA's necessary expenditure relating to the delivering of the certificate and the reimbursement of any costs that the competent authorities may incur carrying out work pursuant to this Article;

(e) ESMA shall state the reasons for delivering the certificate or for rejecting the application;

(f) a statutory auditor or audit firm shall comply at all times with the conditions for the initial granting of the certificate;

(g) ESMA shall be entitled to re-examine any certificate granted to any statutory

auditor or audit firm, either at the request of a competent authority or on its own initiative. The results of the quality assurance reviews shall be taken into account;

(h) ESMA shall be entitled to withdraw the European quality certificate where the statutory auditor or audit firm does not longer meet the conditions for obtaining it;

(i) ESMA shall keep a registry of statutory auditors and firms which obtained the certificate;

(j) the European quality certificate shall have a voluntary character and shall not be a condition for statutory auditors or audit firms to be able to carry out statutory audits of public-interest entities, to be approved in another Member in accordance with Article 14 of Directive 2006/43/EC or to be recognised in another Member in accordance with Article 3a of that Directive.

2. ESMA shall develop draft regulatory technical standards to specify the procedure for obtaining a European quality certificate for statutory auditors and audit firms carrying out statutory audits of public-interest entities. Those technical standards shall comply with the following principles:

(a) applications shall be submitted to ESMA in either a language accepted in the Member State where the statutory auditor or audit firm is approved or in a language customary in the sphere of international finance.

Where a group of audit firms applies for the European quality certificate, the members of the group may mandate one of their members to submit all the applications on behalf of the group;

(b) ESMA shall transmit a copy of the application to the competent authorities of the Member States concerned by the

application;

(c) the competent authorities of the Member States concerned by the application shall jointly examine the application for the certificate within a college of competent authorities referred to in Article 53. Such examination shall cover whether the application is complete and whether it meets the conditions for delivering the certificate. Information obtained in quality assurance reviews on a particular applicant shall be used in this examination;

(d) the competent authorities of the Member States concerned by the application shall provide an advice to ESMA as to whether the applicant shall be entitled to obtain the certificate;

(e) ESMA shall take a decision on the application;

(f) ESMA shall establish the detailed procedural steps and time limits;

For the purposes of point (ii), those Member States shall be at least:

– if the applicant is a statutory auditor, the Member State(s) where the statutory auditor is approved in accordance with Article 3 of Directive 2006/43/EC and, if applicable, the Member State(s) where the statutory auditor is approved in accordance with Article 14 of that Directive and/or the Member State(s) where statutory auditor is undertaking an adaptation period pursuant to Article 14 of Directive 2006/43/EC;

– if the applicant is an audit firm, the Member State(s) where the audit firm is approved in accordance with Article 3 of Directive 2006/43/EC and, if applicable, the Member State(s) where the audit firm is recognised in accordance with Article 3a of that Directive and/or the Member State(s) where the audit firm has controlled firms, affiliate firms or a

parent firm.

3. ESMA shall submit the draft regulatory technical standards referred to in paragraph 2 to the Commission by [3 years after the entry into force of this Regulation].

Powers are delegated to the Commission to adopt the regulatory technical standards referred to in paragraph 2 in accordance with Article 10 of Regulation (EU) No 1095/2010.

4. The Commission shall be empowered to adopt delegated acts in accordance with Article 68 for the purpose of determining the fees referred to in point (d) of paragraph 1.

The delegated acts shall determine in particular the types of fees and the matters for which fees are due, the amount of the fees, the way in which they are to be paid and the way in which ESMA is to reimburse competent authorities in respect of any costs that they may incur carrying out work pursuant to this Article.

The amount of a fee charged to a statutory auditor or an audit firm shall cover all administrative costs.

Or. en

**Amendment 194
Proposal for a regulation
Article 70**

Text proposed by the Commission

Amendment

Article 70

deleted

Transitional provision

1. By derogation from Articles 32 and 33, the following requirements shall apply to contracts for the provision of statutory audit to public-interest entities which are

in force at [date of entry into force of this Regulation];

(a) any audit contract entered into before XX/XX/XXXX [the date of adoption of the Commission proposal] which is still in force on [the date of entry into force of this Regulation] shall remain applicable for a maximum period of four accounting years after [the date of entry into force of this Regulation];

(b) any audit contract entered into after XX/XX/XXX [the adoption of the Commission proposal] but before XX/XX/XXXX [the date of entry into force of this Regulation] and which is still in force shall remain applicable for a maximum period of five accounting years after XX/XX/XXXX [the date of entry into force of this Regulation];

(c) when an audit contract referred to in points (a) or (b) of this paragraph expires or is terminated, the public-interest entity may renew such contract once with the same audit statutory auditor or audit firm, without the provisions Article 31(3) being applicable. Such renewed contract shall be subject to the following maximum duration:

(i) 1 year: if the auditor has been providing services to the audited entity for a consecutive period exceeding 100 years;

(ii) 2 years: if the auditor has been providing services to the audited entity for a consecutive period between 51 and 100 years;

(iv) 3 years: if the auditor has been providing services to the audited entity for a consecutive period between 21 and 50 years;

(v) 4 years: if the auditor has been providing services to the audited entity for a consecutive period between 11 and 20 years;

(vi) 5 years: if the auditor has been

providing services to the audited entity for a consecutive period not exceeding 10 years.

By derogation from the criteria set out in point (c), the audit contract may remain applicable until the end of the first accounting year ending after [2 years after the entry into force of this Regulation].

By derogation from points (a) to (c), when national rules establish a maximum duration of the contractual relationship between the statutory auditor or the audit firm and the audited entity which does not exceed 9 years and require the audited entity to select a different statutory auditor or audit firm when such maximum duration is reached, the audit contract may remain applicable until the end of that maximum duration period.

2. Article 33 shall apply to any audit contract entered into after [...] [the date of the entry into force of this Regulation] but before [...] [[2 years after the entry into force of this Regulation].

Article 32(3) shall only apply to such contract after the expiration or termination of the first renewal of such contract.

Or. en

Amendment 195
Proposal for a regulation
Article 72 – paragraph 3

Text proposed by the Commission

However, Article 32(7) shall apply from [...] [the date of the entry into force of the Regulation] and Article 10(5) shall apply from [...] [3 years after the entry into force of the Regulation].

Amendment

However, Article 32(7) shall apply from [...] [the date of the entry into force of the Regulation].

