

**ACCOUNTANCY
EUROPE.**

**WE REPRESENT
ACCOUNTANTS,
AUDITORS
& ADVISORS.**



**CLOSE TO 1 MILLION
PROFESSIONALS**



**26 EU
MEMBER STATES**



50 INSTITUTES



35 COUNTRIES

Implementation of the 2014 EU Audit Directive and Regulation in 30 European countries

as of November 2021

This pdf has to be considered in full; slides cannot be seen in isolation.

This document is for general illustration purpose only. It includes information on the implementation of the Audit Directive 2014/56/EU and Regulation 537/2014 in 27 European Union (EU) Member States, Iceland and Norway as members of the European Economic Area (EEA) and the United Kingdom (hereafter 'European countries'). The information was informally gathered from different sources up to November 2021 without any further verification. It may already be out of date and be subject to change. See our [disclaimer](#)

Note that the United Kingdom, which applied EU Single Market legislation until the end of 2020, resulting in its audit framework in 2021 remaining consistent with EU practice, is included in the survey with respect to the subject matters as covered for EU and EEA countries.

Main topics of the 2014 EU audit rules

- Implementation status
- Definition of a Public Interest Entity
- Prohibition of non-audit services
- Mandatory audit firm rotation
- Public oversight and delegation of tasks to professional bodies

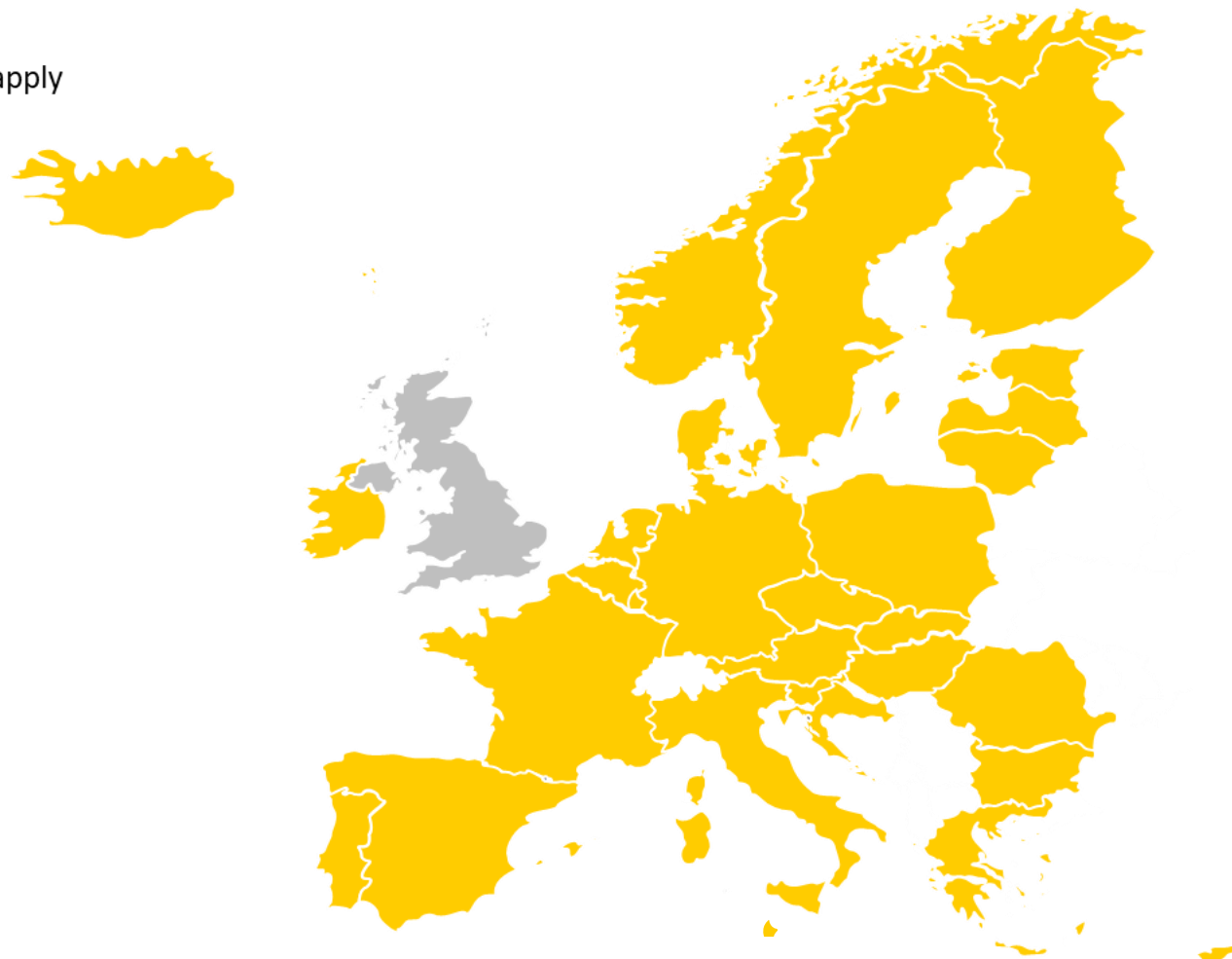
Implementation status

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Implemented

EU legislation does not apply



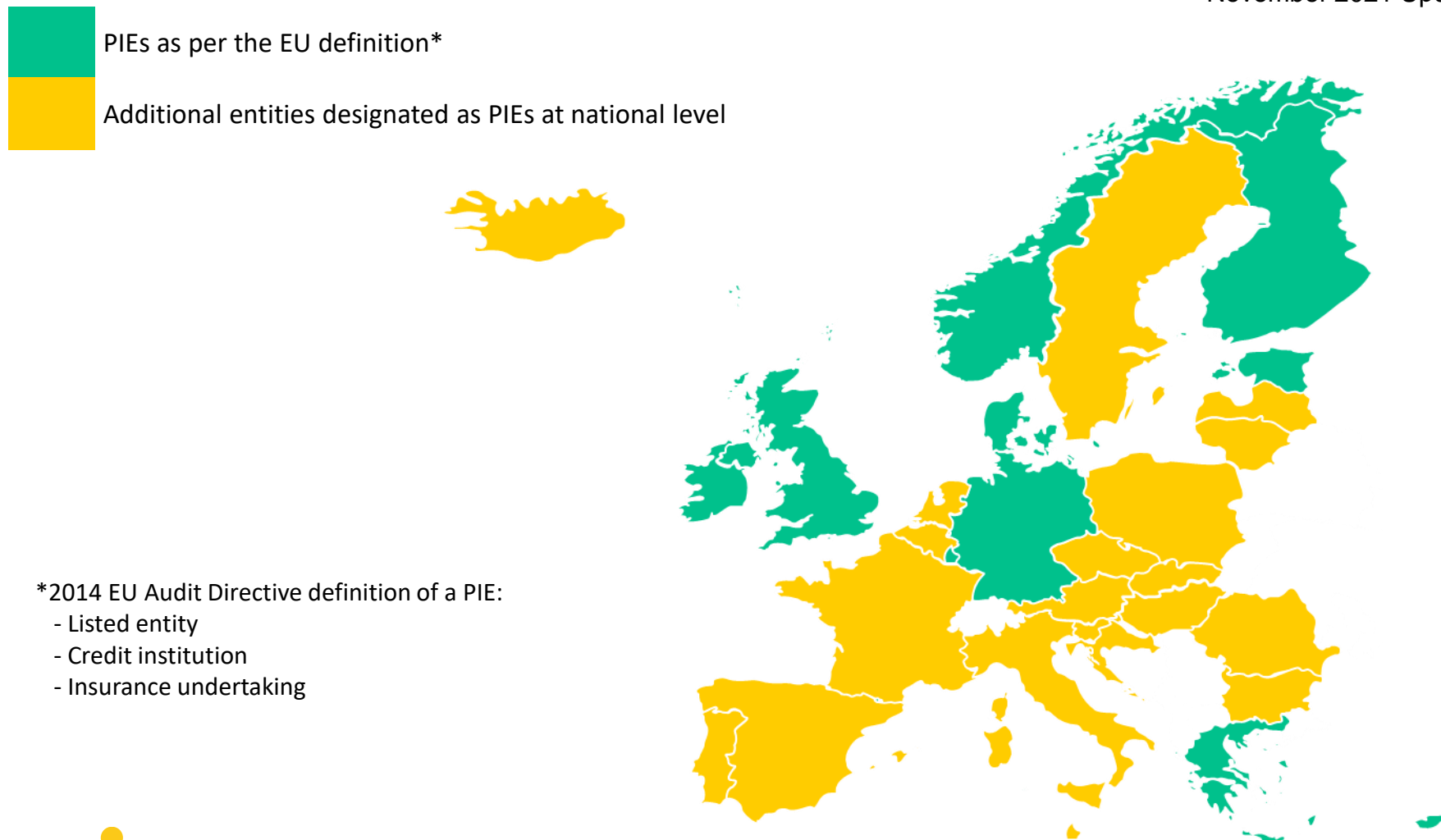
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Definition of a Public Interest Entity matters

- 2014 Audit Regulation applies only to audits of Public Interest Entities (PIEs), including the following:
 - Prohibition of non-audit services
 - Mandatory audit firm rotation
 - Public oversight and potential delegation of tasks related to PIE audits

Definition of a Public Interest Entity in Europe

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*2014 EU Audit Directive definition of a PIE:

- Listed entity
- Credit institution
- Insurance undertaking

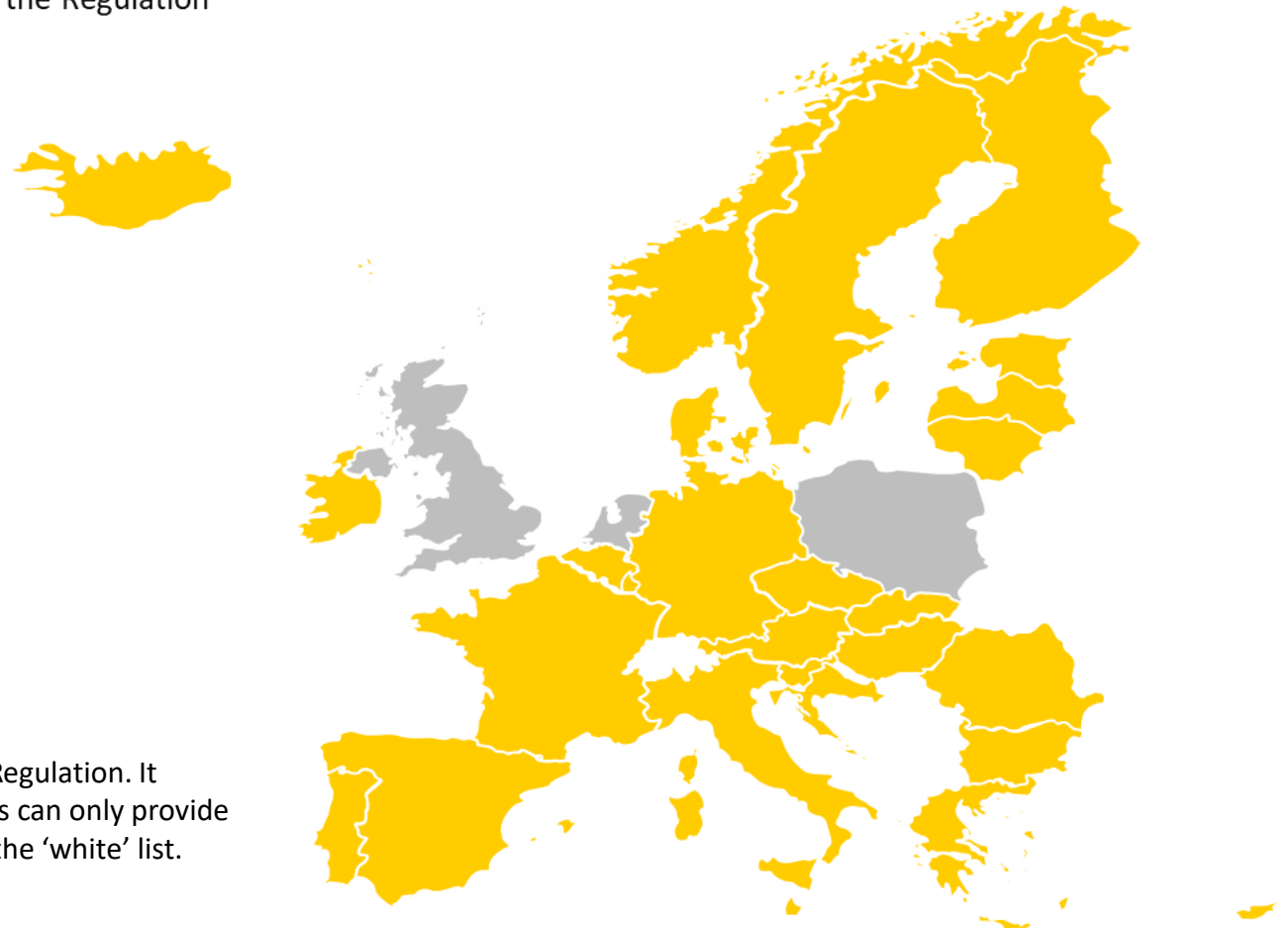
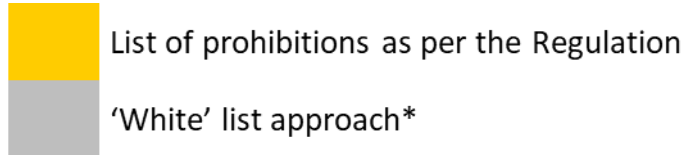
Definition of a PIE in Europe: our take

1. EU definition adopted in 10 countries
2. Extended national definition adopted in 20 countries
3. Overall:
 - Still a wide diversity of definitions across Europe
 - More harmonised and reduced definitions following the 2014 Audit Reform

Non-audit services

Additional prohibitions

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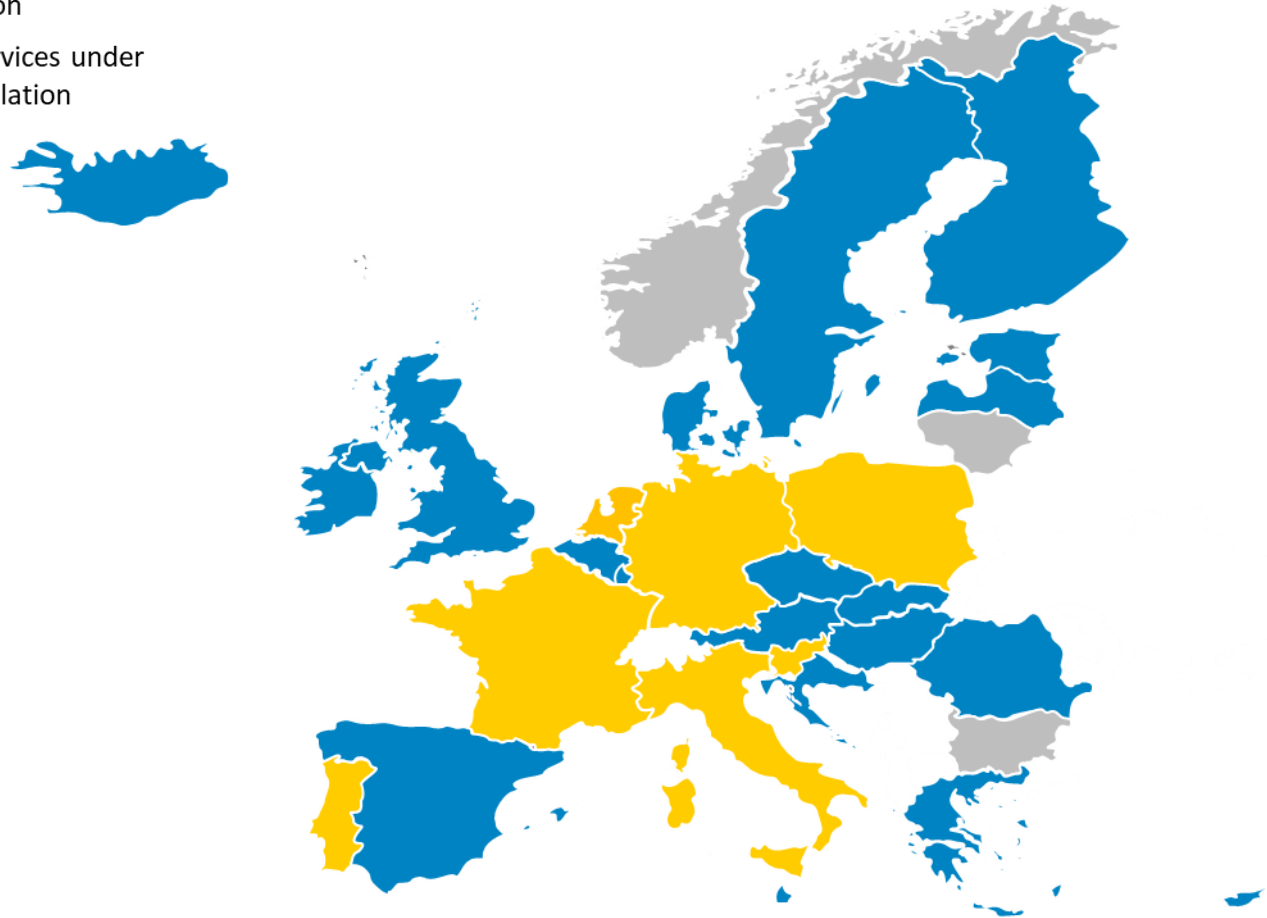
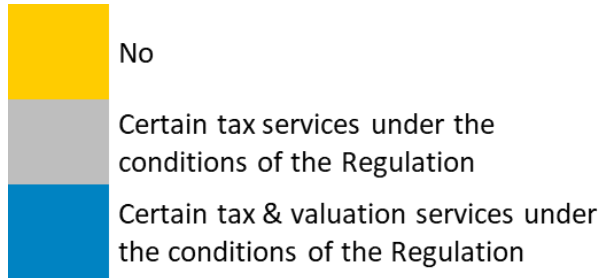


* This approach is in line with the Regulation. It means that auditors and audit firms can only provide the non-audit services included in the 'white' list.

Non-audit services

Derogation (opt-out) of prohibition – Tax & valuation services

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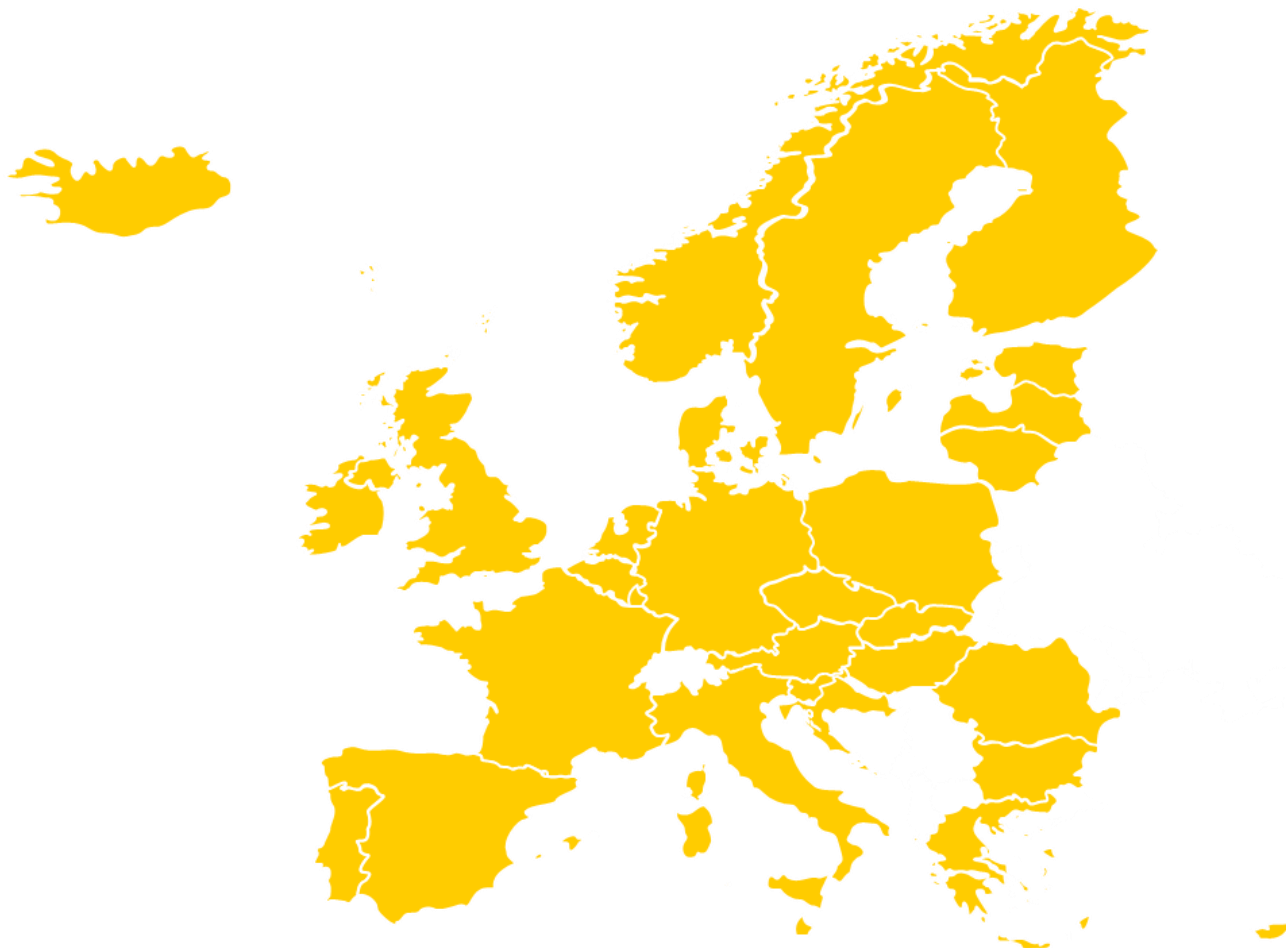


Non-audit services

Allowed non-audit services cap

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 70% cap



Non-audit services (NAS): our take

1. Clear trend to **stick to the list of prohibitions** included in the Regulation
2. **Large majority** of European countries opted for a **derogation of the prohibition of certain tax and valuation services** within the following conditions of the Regulation:
 - Impact on the audited financial statements is immaterial or none
 - Evaluation of this impact on the financial statements is documented in the additional report to the audit committee
 - Principles of independence, as included in the Directive, are applied by the statutory auditor
3. All 30 European countries opted for the NAS cap of 70% as per the Regulation

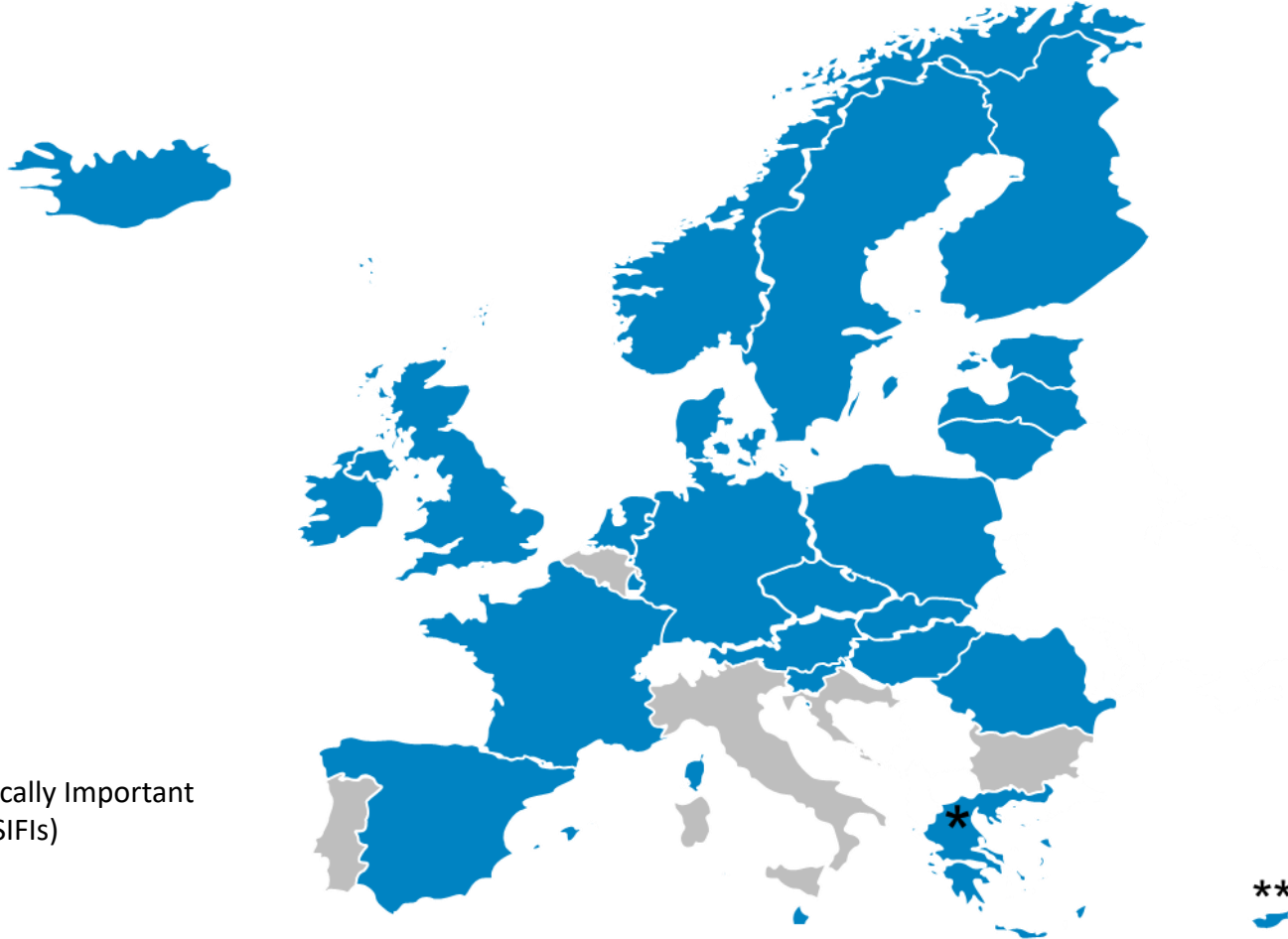
Mandatory audit firm rotation

Initial duration of engagement

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7-9 Years

10 Years



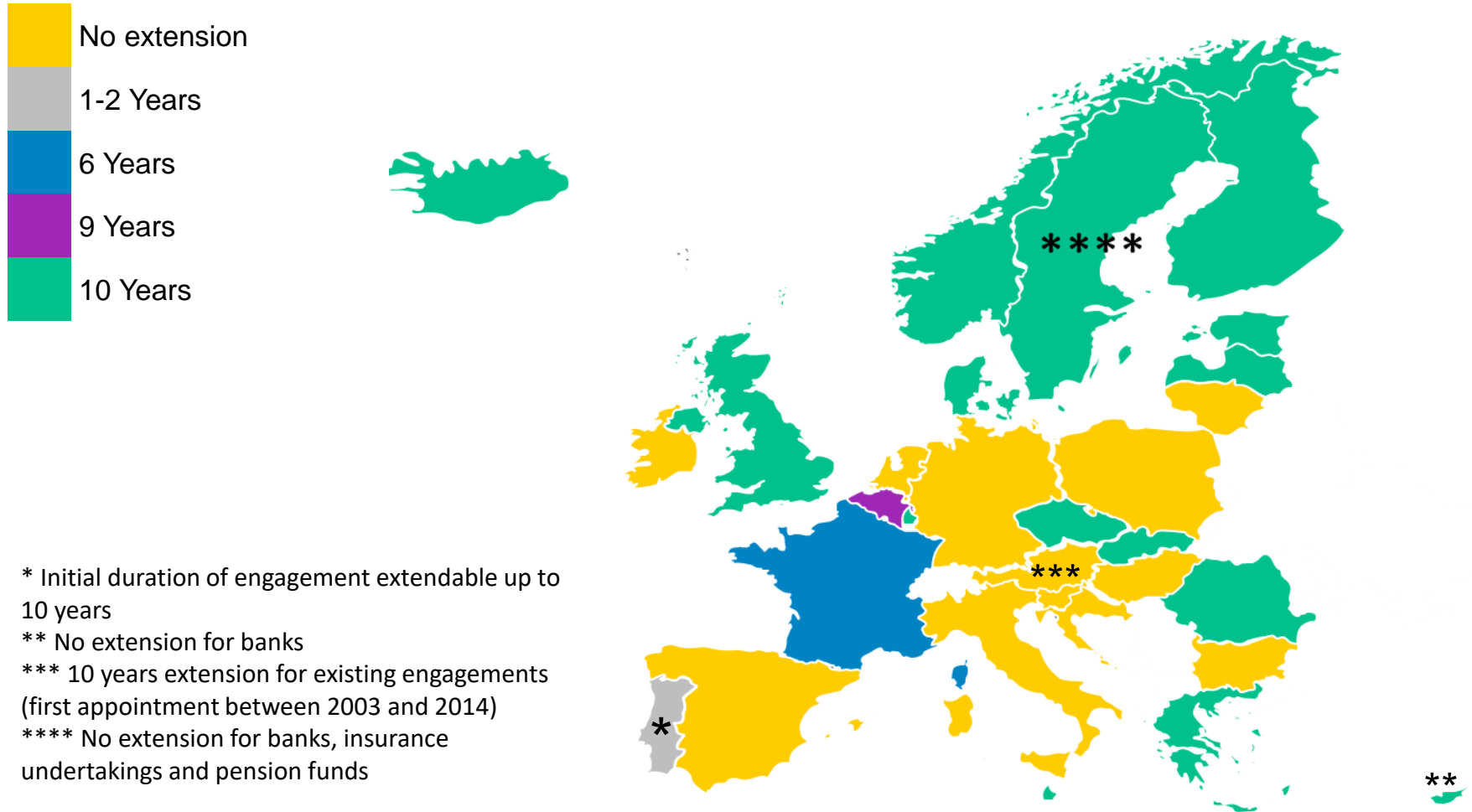
* 5 years for Systematically Important Financial Institutions (SIFIs)

** 9 years for banks

Mandatory audit firm rotation

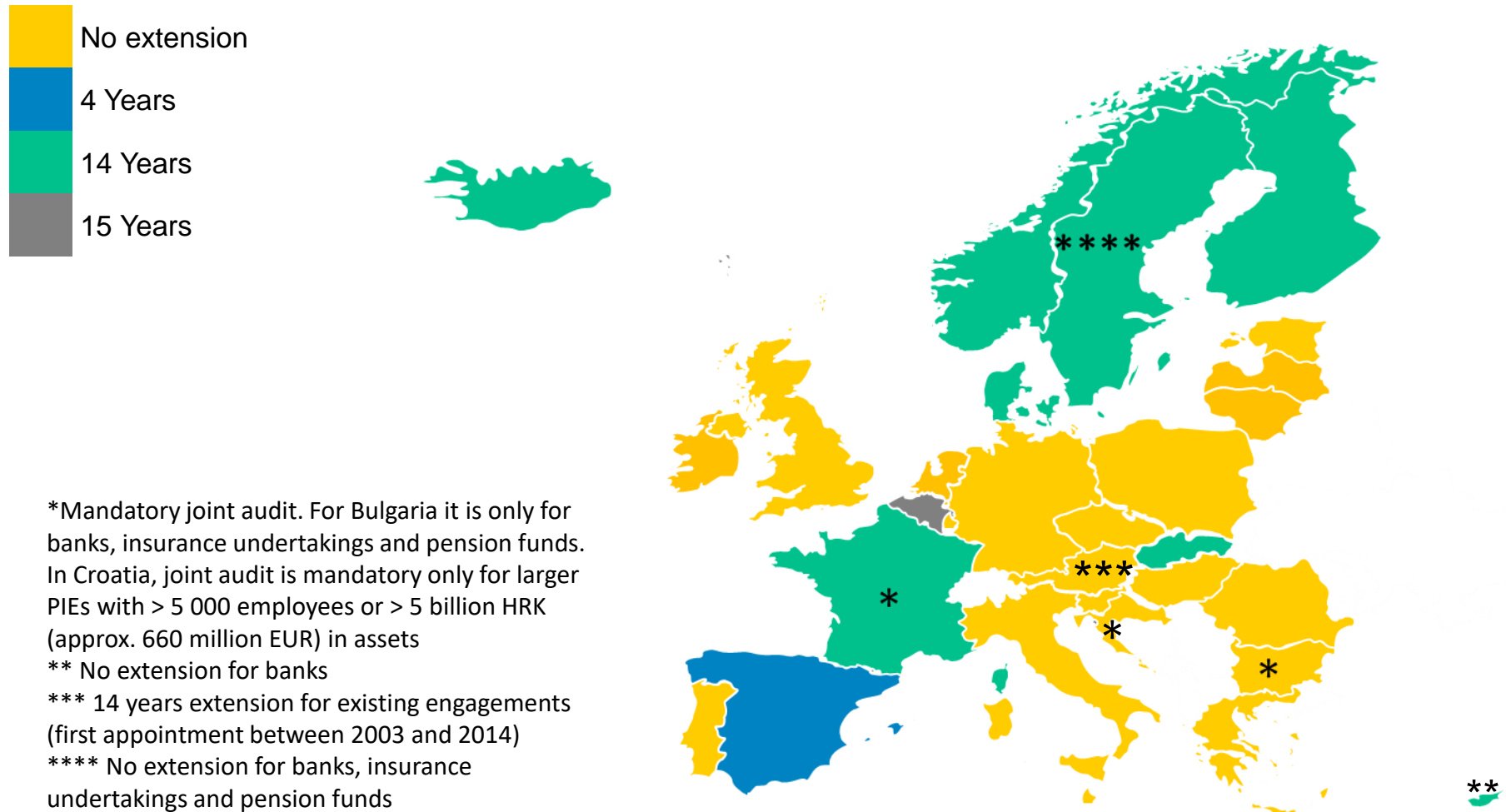
Tender extension

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Allowed joint audit extension

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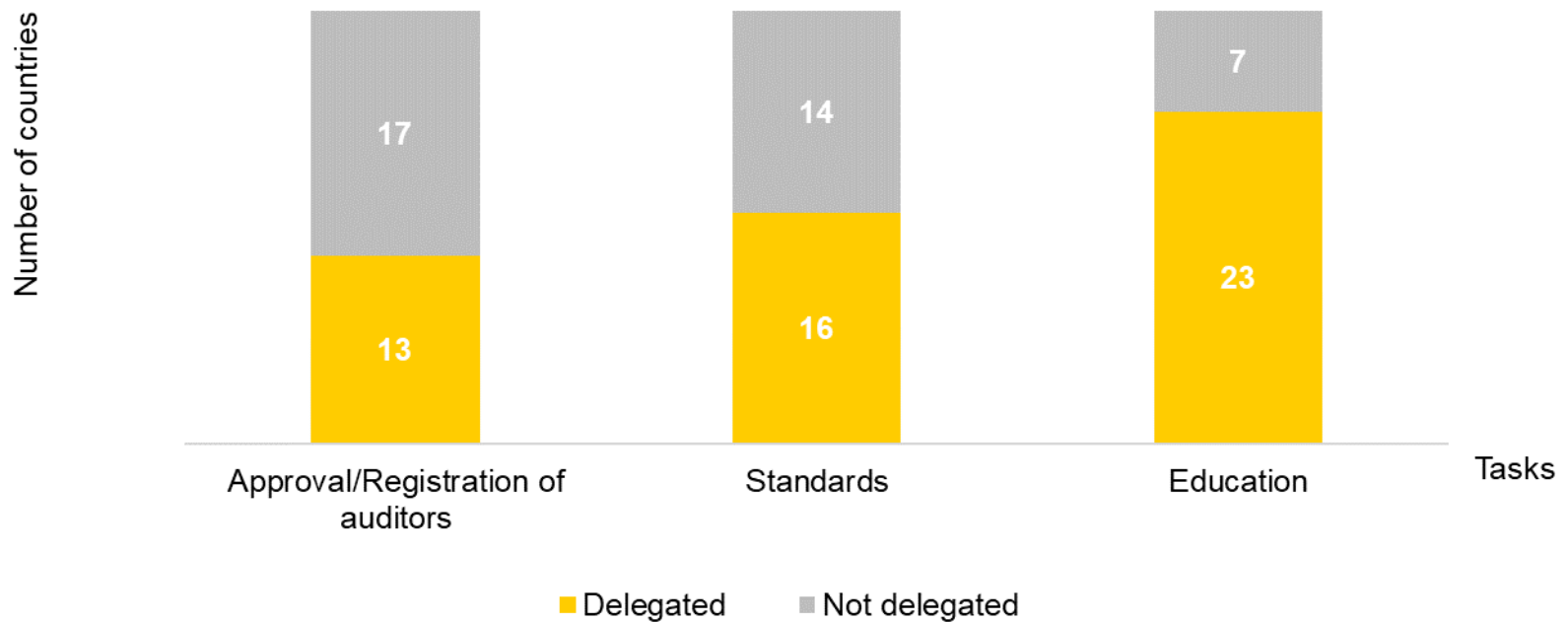
Mandatory audit firm rotation: our take

1. **Consistency** in setting the initial duration of engagement period at **10 years**
2. **Damageable divergences** on the duration and the use of the option to allow extensions of the initial duration
 - **Tender:** 18 European countries with 4 different periods
 - **Joint audit:** 10 European countries with 3 different periods
3. Overview: **13 different mandatory audit firm rotation regimes** across 30 European countries

Public oversight

Delegation of tasks for audits of PIEs*

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* Includes also partial delegation to a professional body. The graph presents information on 27 EU Member States, Iceland, Norway and the United Kingdom.

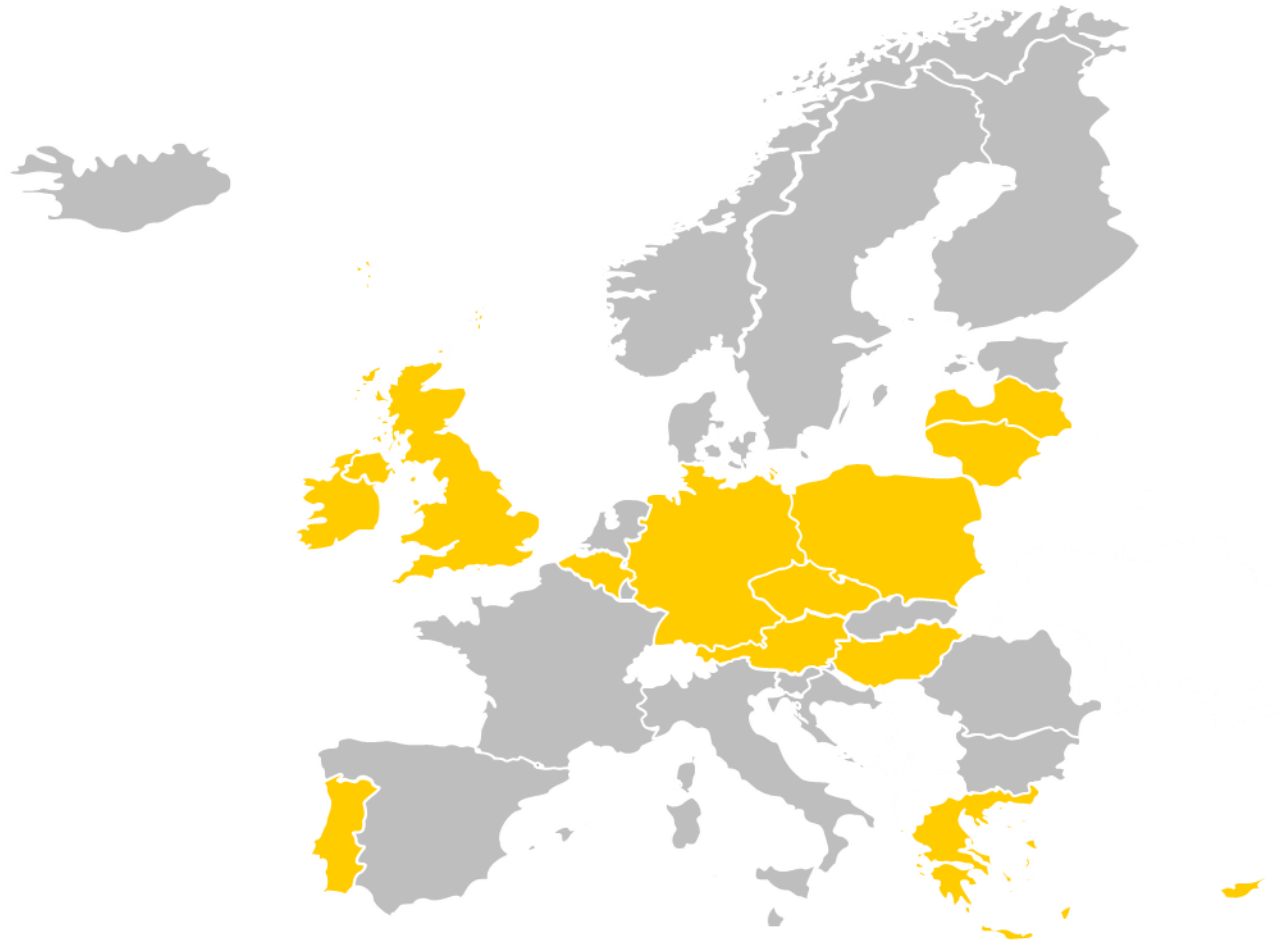
Approval / Registration of auditors

Delegation of tasks for audits of PIEs

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Delegated/ Partially delegated to a
professional body

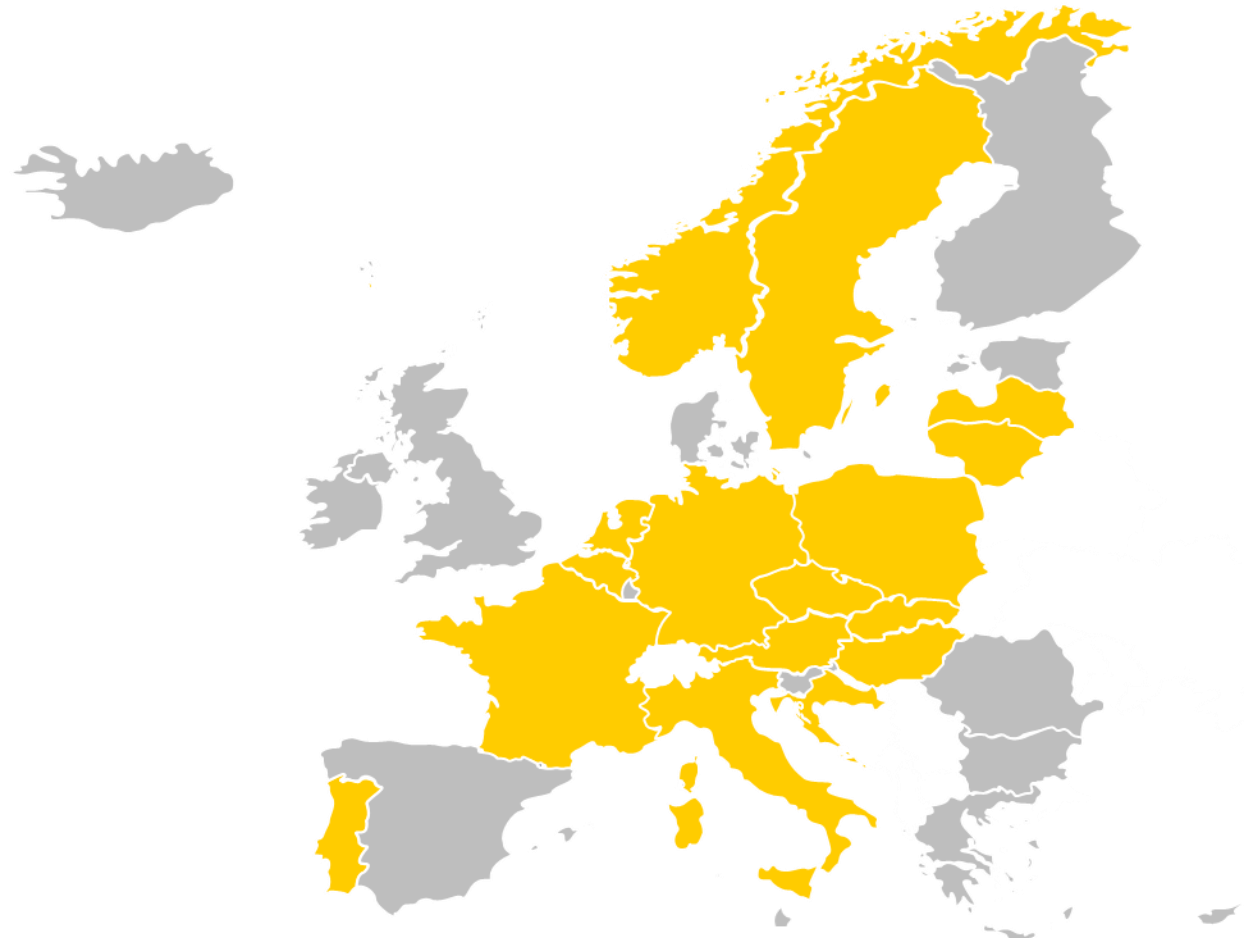
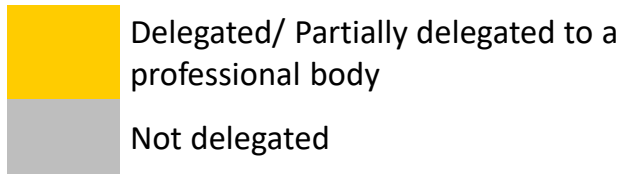
Not delegated



Standards

Delegation of tasks for audits of PIEs

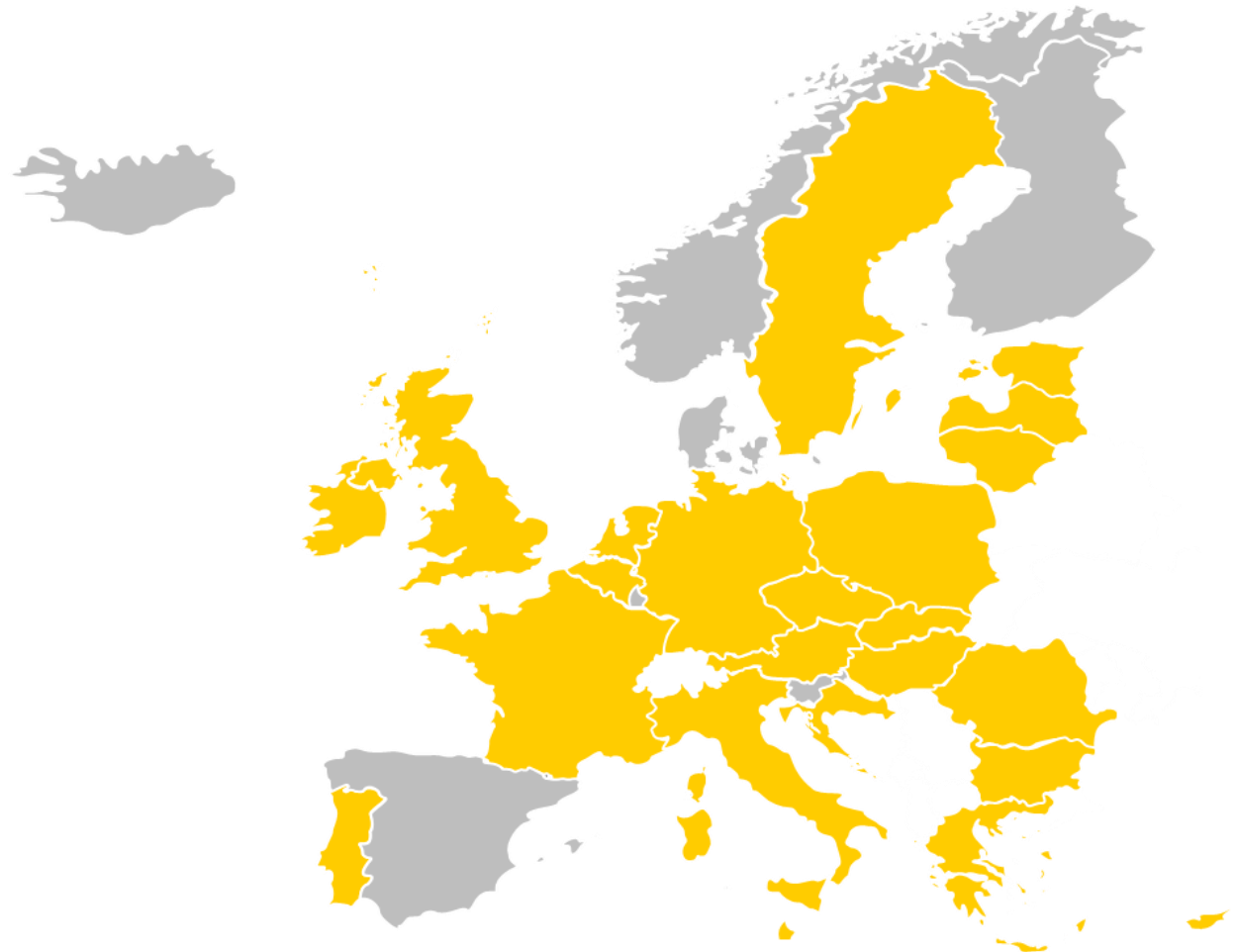
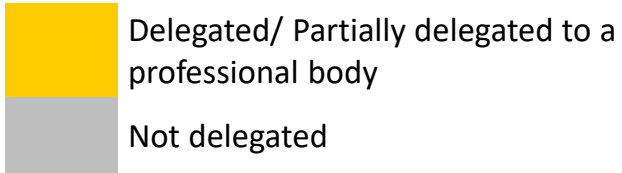
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Education

Delegation of tasks for audits of PIEs

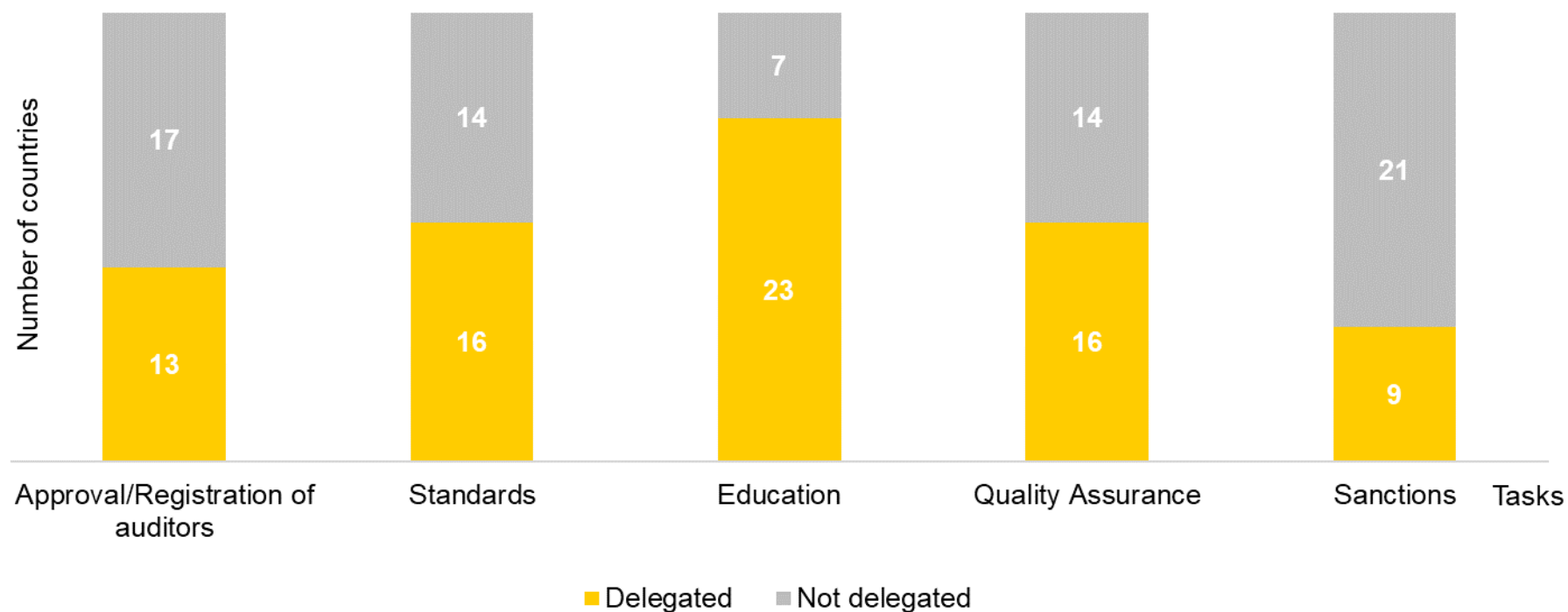
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Public oversight

Delegation of tasks for audits of non-PIEs*

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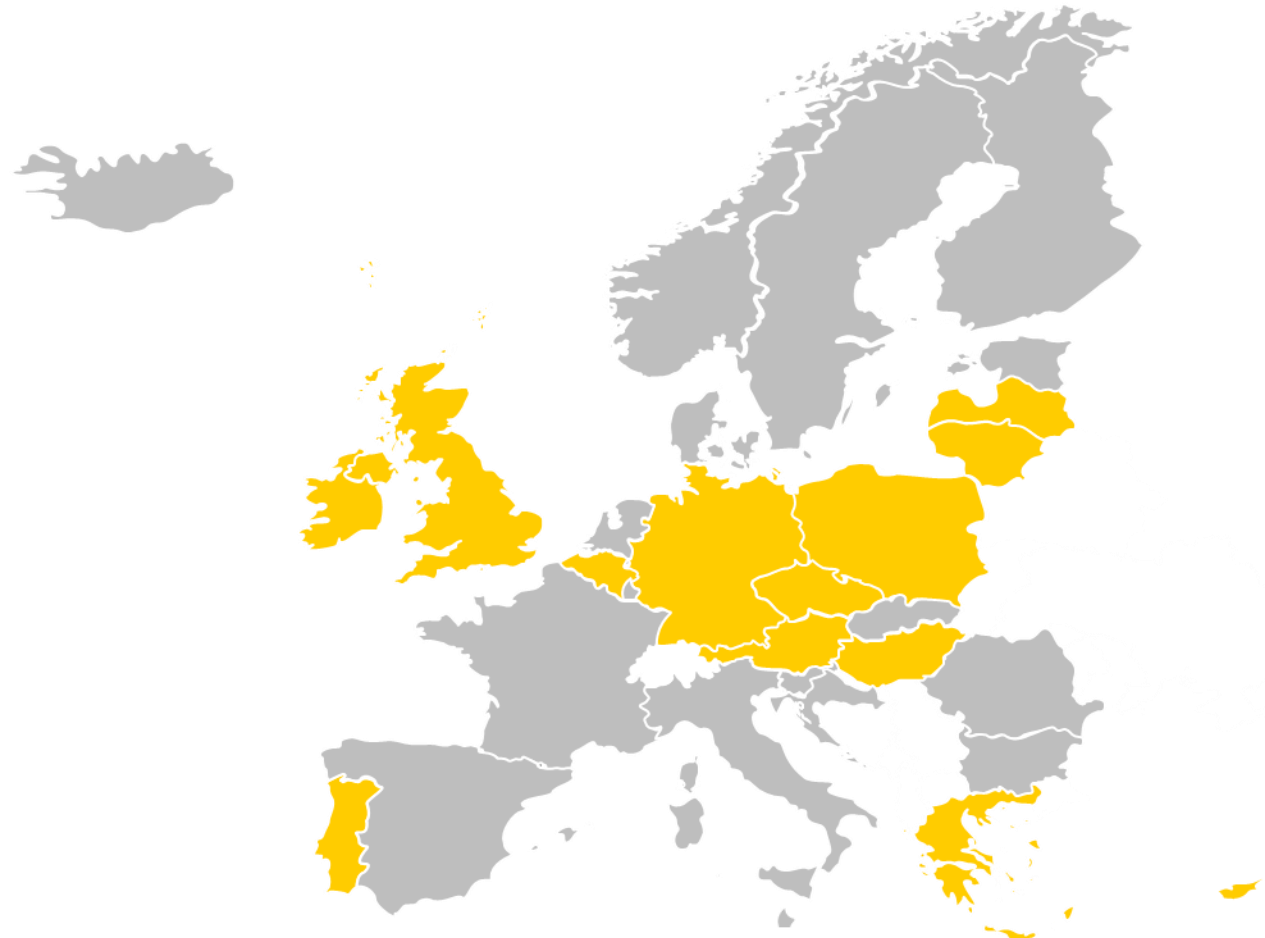
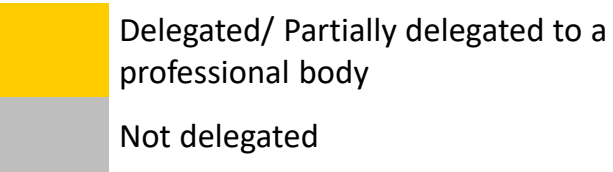


* Includes also partial delegation to a professional body. The graph presents information on 27 EU Member States, Iceland, Norway and the United Kingdom.

Approval / Registration of auditors

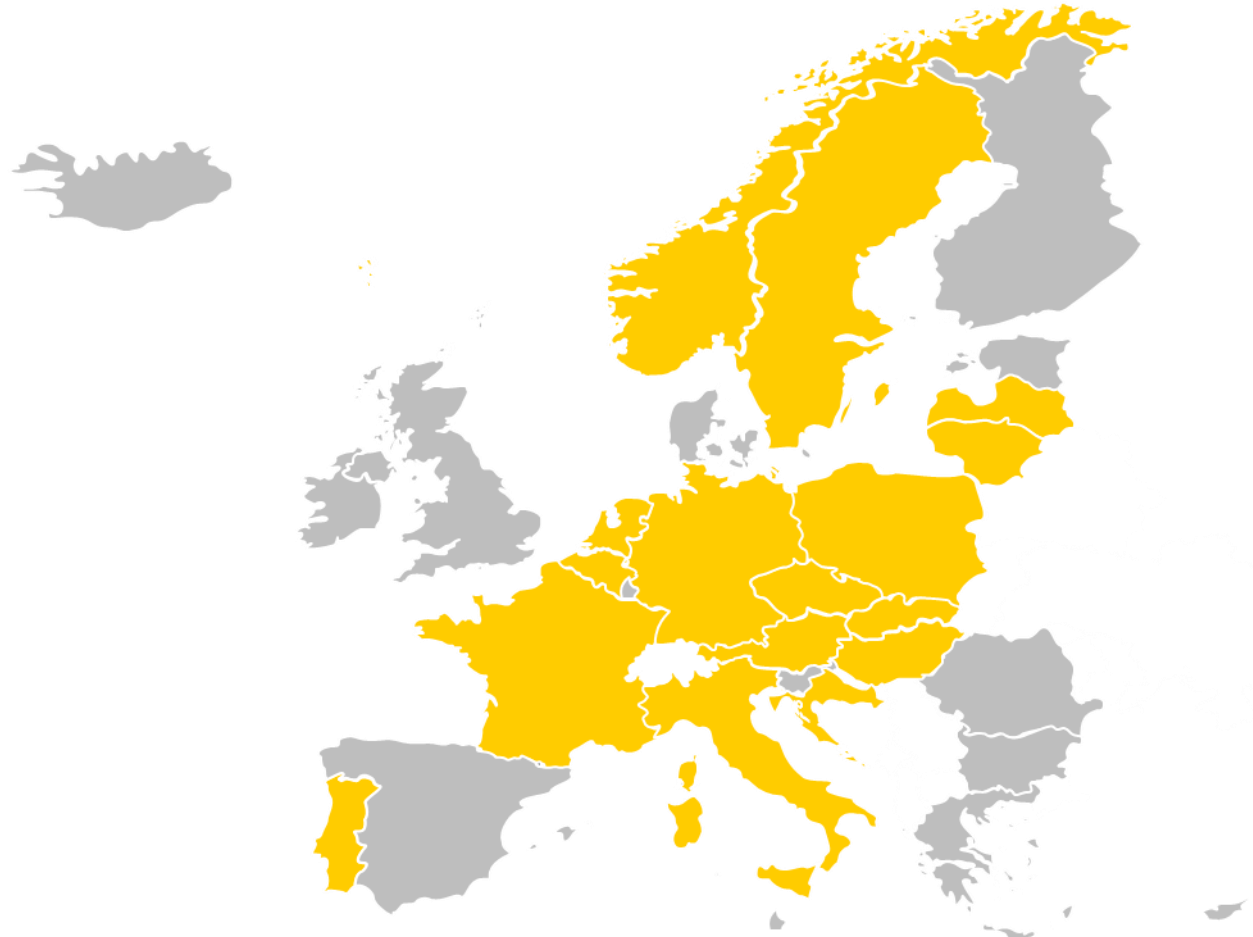
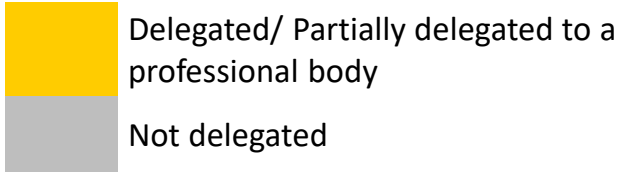
Delegation of tasks for audits of non-PIEs

November 2021 Update



Delegation of tasks for audits of non-PIEs

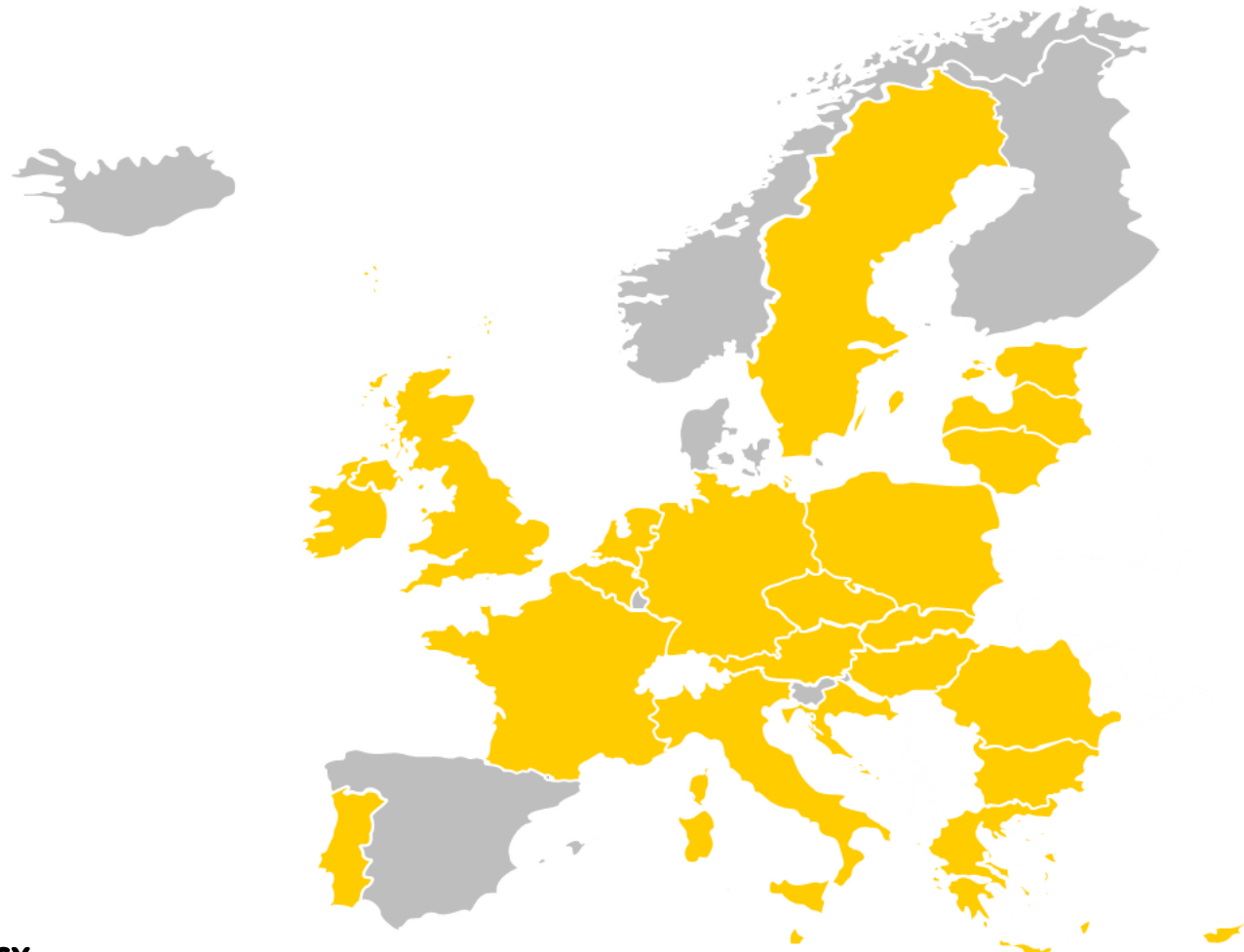
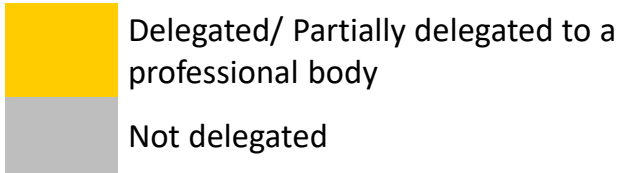
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Education

Delegation of tasks for audits of non-PIEs

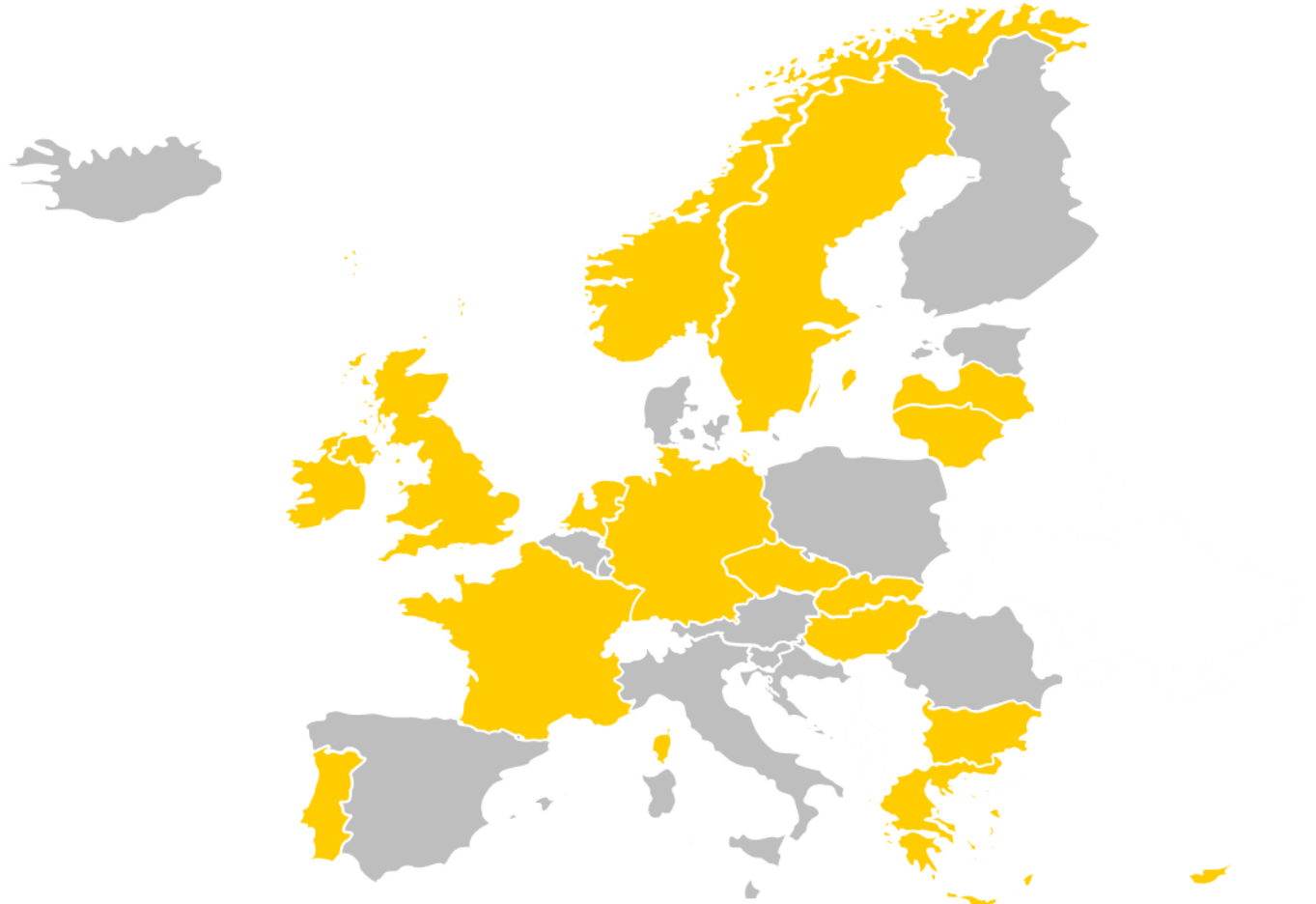
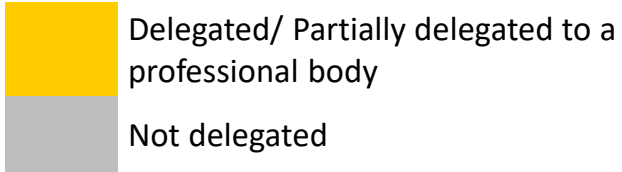
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Quality assurance

Delegation of tasks for audits of non-PIEs

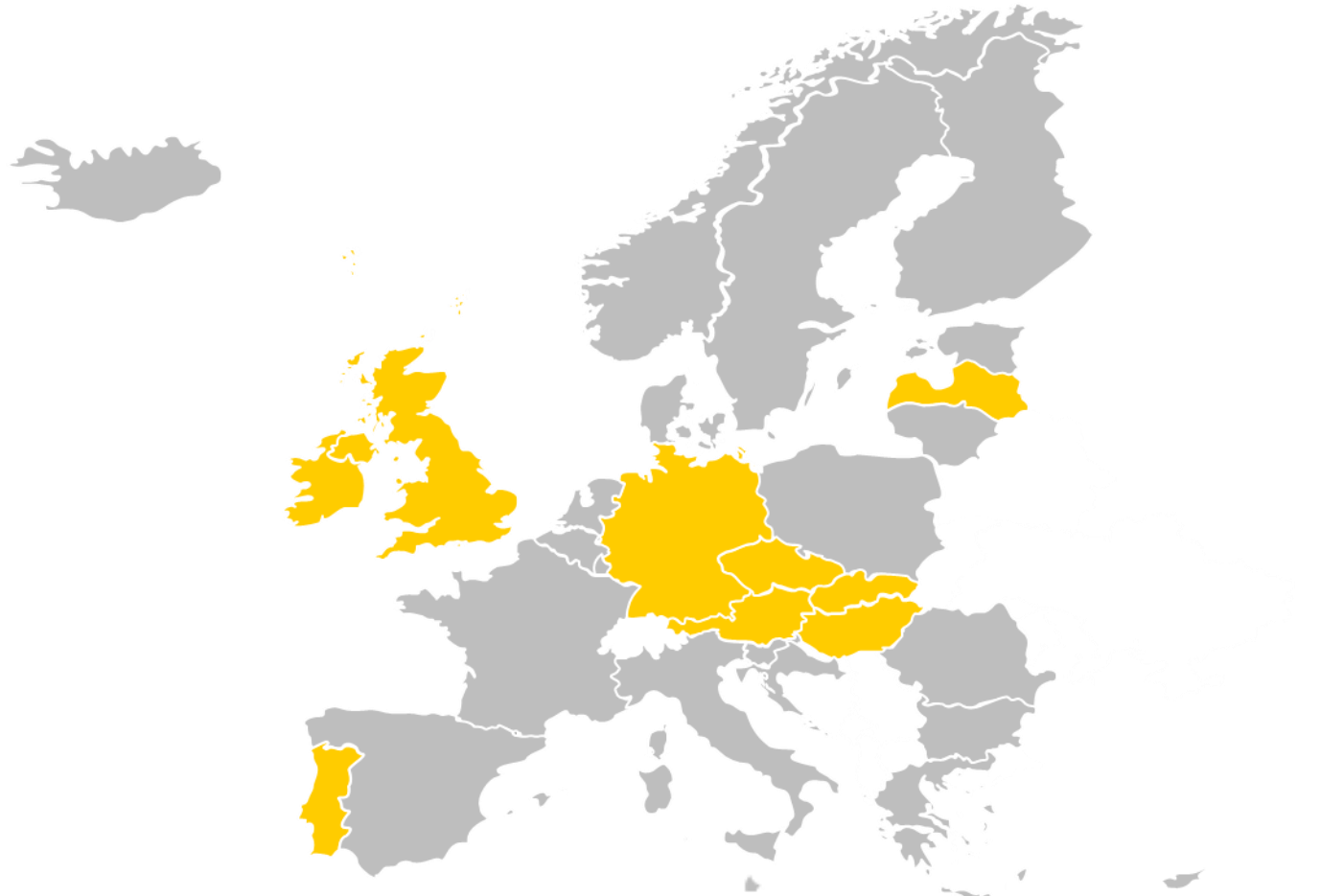
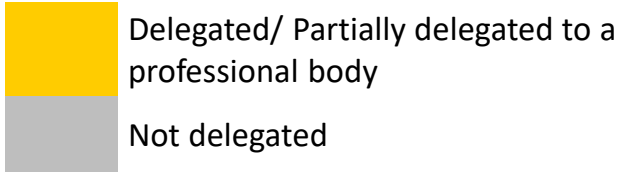
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Sanctions

Delegation of tasks for audits of non-PIEs

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Public oversight: our take

1. Many European countries rely on a certain degree of delegation of tasks to professional accountancy bodies
2. **Standards** and **Education**, related to PIE and non-PIE audits / auditors, have been delegated by the majority of European countries
3. **Quality assurance**, related to non-PIE audits, has been delegated by the majority of European countries
4. **Professional accountancy bodies continue to play an important role** in this area working together with national competent authorities to enhance audit quality

For details on delegation to professional bodies please see our 2021 survey *Organisation of the public oversight of the audit profession in 30 European countries*