



Implications of the EU Regulation on Public Oversight Systems for Statutory Auditors

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ABSTRACT

Audit oversight plays a crucial role in ensuring audit quality. Despite recent progress in strengthening public audit oversight systems in Europe, in this paper we address the issues where little harmonisation has been achieved. Based on the content of the European Directives, we show how significant differences still exist and affect the EU system of public audit oversight. We examine the supervisory and disciplinary functions, organisational structure, funding and transparency mechanisms of the main public oversight bodies in the EU, Australia, the UK and the EEUU. The analysis suggests that despite the common framework set out in EU directives and regulations, the current system of public oversight in Europe is still far from achieving a reasonable degree of harmonisation, which hampers the effectiveness of audit oversight bodies. We contribute by providing an institutional framework that allows to identify the impact of the most adopted features on the independence and competence of each oversight body.

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Implicaciones de la regulación de la Unión Europea en los sistemas de supervisión de la profesión de auditoría

RESUMEN

La supervisión de las auditorías desempeña un papel crucial a la hora de garantizar su calidad. A pesar de los últimos avances para reforzar los sistemas de supervisión de la auditoría pública en Europa, en este artículo abordamos las cuestiones en las que la armonización solo se ha logrado ligeramente. Basándonos en el contenido de las directivas europeas, mostramos cómo siguen surgiendo diferencias significativas que perjudican al sistema de supervisión de la auditoría pública de la UE. En él se estudian las obligaciones de supervisión y disciplina, la estructura organizativa, la financiación y los mecanismos de transparencia de los organismos públicos de supervisión más relevantes de la UE, Australia, el Reino Unido y EE. UU. El análisis sugiere que, a pesar del marco común establecido en las directivas y reglamentos de la UE, el actual sistema de supervisión pública en Europa está aún lejos de alcanzar un grado razonable de armonización, lo que dificulta la eficacia de los órganos de supervisión fiscal. Contribuimos a ello proporcionando un marco institucional que permite identificar el impacto de las características más adoptadas sobre la independencia y la competencia de cada órgano de supervisión.

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1. Introduction

Auditors are seen as key actors in ensuring the appropriate application of accounting standards, promoting the quality of financial reporting and contributing to better financial reporting outcomes (Francis & Wang, 2008). The adoption of International Financial Reporting Standards (IFRS) was expected to significantly improve the quality and comparability of financial reporting. Auditors were essential in promoting quality in the IFRS implementation process. As noted by Brown & Tarca (2005), the harmonisation objective could not be achieved without accurate regulatory oversight, with auditors playing a critical control and compliance role in the financial reporting process.

However, oversight of the auditor's role is also essential to improve audit quality (2014/56/EU). The high-profile financial reporting scandals of the 2000s (e.g. Enron, Worldcom or Parmalat) raised concerns about the adequacy of the self-regulatory oversight mechanisms of the auditing profession (Humphrey et al., 2009). Prior to 2002, the audit profession was essentially self-regulated (or unregulated in some jurisdictions). On the one hand, auditing standards were issued by each national Auditing and Assurance Standards Board, where the audit profession had a strong influence. On the other hand, oversight activities to ensure the quality of the audit process and compliance with regulations were directly controlled by the professional bodies of auditors, raising concerns about the independence of these procedures (Carcello et al., 2011a; Casterella et al., 2009; Hilary & Lennox, 2005).

The accounting scandals suggested poor auditing quality motivated by a potential lack of independence in the audit oversight mechanisms. The prevalence of the self-regulatory structure in most countries started to change radically after the passage of the Sarbanes Oxley Act in the United States in 2002 and the creation of the Public Company Accounting Oversight Board (PCAOB). From that year onwards, most countries around the world moved away from the self-regulation (or lack of regulation) scheme and started a set of reform initiatives to increase the prevalence of independent public oversight bodies to oversee the auditing profession, guarantee the profession's independence and address the conflict of interest between auditors, their clients and the self-regulatory system (Hanlon & Shroff, 2022; Coates & Srinivasa, 2014). One criticism of this new oversight approach is that the new regulatory developments are placing more pressure and exercising tighter control on statutory auditors and audit firms (Dowling et al., 2018), enhancing auditors' incentives to implement more diligent audits (Hanlon & Shroff, 2022) but also increasing compliance costs that are passed on as higher audit fees (Florou & Shuai, 2024). In addition, opponents of the new audit public oversight structures question the skills and expertise of inspectors and, overall, the effectiveness of POBSA quality assurance programmes (Glover et al., 2009).

In spite of critics and potential caveats to the new oversight model, most developed countries have followed the USA audit oversight model (i.e. Australia, Canada, Japan). Evidence supports the impact of the oversight role of the PCAOB and its international inspections in audit quality and financial reporting credibility (Lamoreaux, 2016; DeFond & Lennox, 2017; Fun et al., 2017; Krishnan et al., 2017; Gipper et al., 2020; Lamoreaux et al., 2020; Shroff, 2020). In 2006, the EU required Member States to create a public oversight institution to regulate, supervise and discipline statutory auditors and audit firms (Directive 2006/43/EC). These institutions were generally denoted as national *Public Oversight*

Bodies for Statutory Auditors (POBSAs henceforth). Directive 2006/43/EC was the first EU regulatory attempt to harmonize the public oversight systems in Europe with the objective of guaranteeing the independence of audit regulation and the appropriate quality controls over the profession.

The Directive was enacted in 2006. At that time, three different audit oversight systems co-existed in Europe: (a) countries with a professionally self-regulated and peer-reviewed oversight system; (b) countries with a governmental public oversight tradition; and (c) countries with a mixed model where the auditing profession was an active part and had a relative influence on the oversight processes although the whole process was led by a public regulator. However, as posited in García Osma et al. (2017), considerable challenges laid ahead to secure a homogeneous and robust oversight system across the EU, given the large existing differences.

EU countries progressively restructured their auditor oversight systems to comply with the content of the 2006 Directive to work in favour of harmonizing their audit oversight structures. However, the implementation time span ranged from early adopters, such as the UK to late adopters like Poland (Carson et al., 2022). Whereas the UK implemented the new audit oversight model in 2004, other countries including Poland, Cyprus or the Czech Republic accomplished the reform of their oversight structures more recently.

In 2014, considering the little attention paid to audit regulation during the financial crisis, the EU took a step further issuing simultaneously a new Directive and a new Regulation with the aim of extending oversight bodies' inspection and sanctioning powers and to clarify the specific oversight requirements for statutory auditors and audit firms of Public-Interest Entities (henceforth PIEs). Harmonization of the auditor oversight structures in Europe has two clear periods: (1) from 2006 to 2013 (*initial adoption period*), where all countries moved one step ahead in restructuring their auditor oversight mechanisms to comply with the content of Directive 2006/43/EC with significant differences remaining across countries (García Osma et al., 2017; Maijor & Vanstraelen, 2006); (2) from 2014 to the present day (*refining period*), where countries made further changes to their national oversight structures to "detect, deter and prevent infringements of the auditing rules" (Directive 2014/56/EU). For instance, as posited by Vanstraelen & Zou (2022), in recent years some EU countries have moved towards quality assurance review regimes aligned with the PCAOB, based on direct inspections, granting greater autonomy and authority to the POBSAs. However, as posited recently in García Osma et al. (2020), the current audit oversight system is still fragmented, with differences in the degree of collaboration and competences between the professional audit corporations and the oversight bodies that may create flaws in the supervisory roles where potential breaches of conduct could go unnoticed, as it happened with the Wirecard case in 2020.

The primary objective of this study is to provide and in-depth analysis of the main POBSAs characteristics to assess the current situation of the audit oversight models within the EU and other relevant Anglo-Saxon economies (UK, Australia and USA) and identify the key differences between them. Drawing on García Osma et al. (2017) conceptual framework and considering the provisions of the 2014 Directive, we study the different features in the post-2014 Directive period (refining period) to identify the most prevalent characteristics across the different POBSAs under study.

Furthermore, we assess the main costs and benefits of the different characteristics of the oversight models in the selected countries, to identify how the organizational character-

istics across the POBSAs, could affect their effectiveness to guarantee high-quality audits and enhance public trust in financial reporting. By studying these costs and benefits we provide valuable insights for policymakers and regulators to guide potential future changes in audit oversight systems to promote the POBSA's harmonization.

We centre our analysis on a selection of 15 countries that joined the EU before the 2004 enlargement, as these countries share a common previous history of applying EU regulations. For comparison purposes, we include the most relevant Anglo-Saxon economies: UK, Australia, and the US. These are world-leading countries in issuing their own auditing standards and supervisory structures. Particularly, the US, through the PCAOB, can be considered as the most important oversight benchmark for other countries that consider changes in their audit oversight models (Benito & Brusca, 2004; Vanstraelen & Zou, 2022). To facilitate our analysis, all countries have been classified and ordered in the following five groups: (1) Central Europe countries (EU-CE), (2) Scandinavian countries (EU-Sca), (3) Southern Europe Countries (EU-SE), (4) Anglo-Saxon countries (EU-AS) and (5) Non-European countries (non-EU).

Despite the efforts of the EU countries to harmonize their public oversight systems and align to the 2006 and 2014 Directives, the descriptive analysis reveals persistent differences that could be partially explained by the pre-directive diversity across the audit oversight systems in Europe. As explained in Binger & Hoffman (1989), "*the institutional developments in one society have a history that may not apply to another society*". Whereas some countries decided to perform a complete reform of the oversight mechanisms (i.e. Belgium), others (i.e. France, Austria or Germany) remodelled the existing structures to the content of the 2006 and 2014 Directives. The current audit oversight system is very fragmented, with differences in the degree of collaboration and competences between the professional audit corporations and the oversight body that may create flaws in their supervisory role.

Differences are also observable in the amount of financial and human resources required to accomplish their supervisory role, as well as in the transparency policies, particularly regarding the disclosure of disciplinary sanctions and oversight procedures. Differences in oversight bodies' transparency policies impound the possibility of a more in-depth comparability analysis of inspections and quality assurance procedures. As stated by Florou & Shuai (2024), these factors affect the characteristics of the oversight system and therefore, its rigor and effectiveness: transparency, resources, independence, appointment processes of inspectors, existence of cooling-off periods etc.

This study aims at making a significant contribution to the field of audit oversight in Europe. On one hand, this paper does not only provide an in-depth analysis of each public oversight body across a diverse range of countries, but also a conceptual framework that facilitates the identification of the main differences in the auditor oversight system across the EU. This broad coverage of countries allows for a comprehensive examination of similarities, differences, strengths, and weaknesses among various countries, while the conceptual framework provides a structured approach for understanding and comparing the main features of the POBSAs across the countries under study. In addition, the study identifies the main costs and benefits of the implemented features of the audit oversight models to provide insights on the implications of these differences on the effectiveness on audit oversight, particularly on the independence and the competence of each POBSA.

The rest of the paper is organised as follows. Section 2 describes the transition process towards a public audit oversight model in the EU and the existing research literature. Section 3 provides the descriptive analysis of the current structures of the oversight systems across the 17 countries under the scope of this study. Section 3 analyse the costs and benefits of the implemented characteristics of the audit oversight models and finally, section 5 concludes.

2. The need for harmonized institutions: From European Directive 2006/43/EC to Directive 2014/56/EU and Regulation 537/2014.

One of the main pillars of the European Union was the creation of a 'Common Market' with the adoption of a common currency and the harmonization of financial information to favour comparability and strengthen confidence in EU companies and capital markets. After the issuance of the 4th and 7th Directives and adoption of the IFRS, significant steps were taken in the harmonization of financial information in Europe. However, differences were still present in auditing regulation among EU countries. Auditors are essential to guarantee financial reporting quality and the lack of harmonization on statutory auditing across the EU countries was the main factor driving the creation in 1988 of the Committee on Auditing. The aim of this Committee was to improve cooperation within the accounting profession and Member States. Quality assurance and auditor independence were the main topics in the agenda. Based on the work of the Committee, the European Commission issued in 2000 and 2002 two Recommendations directly related to these topics¹. The quality assurance recommendation recognised the two different methodologies that existed in the EU at that time: monitoring² vs. peer review and stated that to mitigate concerns regarding reviewers' objectivity in the peer review system, there should be sufficient public supervision over the quality assurance system (2001/256/EC).

However, these achievements were not enough. A few years later, the accounting scandals of companies such as Enron or Worldcom led to the enactment of the Sarbanes-Oxley Act in 2002 and the creation of the PCAOB in the United States. The creation of a new independent body to oversee the auditing profession in the US pushed the European Union into a new scenario where further initiatives were essential to restore investors' confidence in capital markets and repair mistrust in the audit function.

The EU issued in 2006 a new Directive on Statutory Audit in the European Union (2006/43/EC) that brought a more detailed regulation on auditors' independence, public registration of auditors, requirements to enter the profession, quality control measures and a final transition towards a monitoring public oversight system of the audit profession. With the aim of promoting consistency and collaboration across the different European audit oversight bodies, the Directive promoted the creation of the EGAOB (European Group of Auditors' Oversight Bodies) in 2006, replaced in 2014 by the Committee of European Auditing Oversight Bodies (CEAOB), a cooperation framework among EU auditors' oversight bodies in Europe. However, just as happened with the

¹"Quality Assurance for the Statutory Auditor in the EU: minimum requirements" (2001/256/EC) issued on 15 November 2000. "Statutory Auditors' Independence in the EU: A Set of Fundamental Principles" (2002/590/EC) issued on 16 May 2002.

²The EC recommendation defines the monitoring audit oversight mechanism as that in which staff employed by the regulator manages the quality assurance review (2001/256/EC).

EGAOB, the current CEAOB competences and resources are scarce, falling far behind the aim to coordinate and harmonise audit oversight practices in the EU (García-Osma et al., 2020).

Right after the adoption of the IFRS standards by the European Union in 2005, a great number of studies highlighted the relevance of the institutional setting and, particularly, the enforcement mechanisms in place to guarantee the success of the accounting harmonization process (Christensen et al., 2013). Previous literature posits that genuine accounting harmonization would only be possible with harmonized enforcement structures that guarantee a homogeneous adoption of the accounting standards (Wysocki, 2011; Isidro et al., 2020), enhancing the mediating role of enforcement for IFRS adoption (Barth & Israeli, 2013; Christensen et al., 2013). After the 2008 financial and economic crisis, rating agencies and banks were accused of being responsible for the collapse while the auditing profession remained *far from the firing line* (Humphrey et al., 2011). However, the fact that some significant companies received a clean audit report only months before collapsing (i.e. Lehman Brothers, ABN-Amro, Royal Bank of Scotland) brought the expectation gap again into the debate and the need for a strong independent oversight of the auditing profession to the forefront of the debate.

In this context, the European Commission invited relevant parties to join a consultation process, asking their opinion about the audit market composition, the oversight of the audit profession or the governance and independence of audit firms. A total of 688 responses were received collecting the position of audit firms, regulators, academics, and users of financial information. The consultation process highlighted the persistence of a significant “gap” between the scope of audit engagement and users’ perception of what auditors and audits are intended for. After the consultation process, and a one-and-a-half-day conference, the EU issued in 2010 the Green Paper on ‘*Audit Policy: Lessons from the Crisis*’ identifying potential future improvements to continue the process of increasing audit quality and financial stability (EC, 2010).

During the consultation process, the European Commission was always in favour of strengthening the independent audit oversight model, similar to the PCAOB in the USA, seeking full independence in the supervision and inspection of statutory auditors and audit firms. It was not easy to fully introduce this new approach in the revised Eighth Directive in 2006, due to pressures from the European audit profession who wished to maintain their capacity to influence the rule-making process through their professional associations (Eberle & Lauter, 2011). Similarly, the new EU Directive 2014/56/EU and Regulation 537/2014 were issued after four years of hard negotiations resulting in a watered-down version of the original proposals (Horton et al., 2018).

With the issuance of the 2006 Directive, the EU mandated Member States to create an effective system of public oversight for statutory auditors and audit firms, designating a competent authority with ultimate responsibility for the oversight of: (a) the approval and registration of auditors; (b) the adoption of standards on professional ethics and internal quality controls of audit firms; (c) continuing education; (d) quality assurance systems; and (e) investigative and disciplinary systems. Directive 2014/56/EU places great emphasis on the role of discipline and investigation procedures in the public oversight bodies. Member States are required to establish an effective administrative sanctions regime for inadequate statutory audits (Art. 30.1), and those sanctions imposed

must be publicly available (Art. 30.3). Additionally, Regulation 537/2014/EC reinforces the independence requirements, limits the provision of additional non-audit services that may compromise auditors’ independence, introduces a peer quality assurance review of the audit process before issuing the final report, enhances the role of the audit committee and improves the oversight mechanisms in place for statutory auditors and audit firms of public-interest entities³. These additional changes pursued improvements in audit quality, the integrity and efficiency of the financial information and, therefore, an orderly function of capital markets (Regulation 537/2014 EC).

As posited by Dowling et al. (2018), the new audit oversight framework introduced a new regulatory agent with new incentives (i.e. legitimating its oversight operations) that has led to an increase in the tension between the audit profession and oversight bodies, creating new bureaucratic structures and processes that auditors should comply with. One of the criticisms of this new oversight approach is the fact that the new regulatory developments are placing more pressure and control on statutory auditors and audit firms (Dowling et al. 2018), enhancing auditors’ incentives to implement more diligent audits but also increasing bureaucratic procedures and therefore compliance costs (Florou & Shuai, 2024; Hanlon & Shroff, 2022). Additionally, opponents of the new public audit oversight structures questioned the skills and expertise of *inspectors* and overall, the quality of the POBSA’s inspections and quality assurance programmes (Glover et al., 2009). Notwithstanding the significant advances by EU countries to adapt their audit oversight structures to the content of the EU Directive and Regulation, recent accounting scandals, such as the Wirecard case in August 2020, have re-opened the debate on the need to strengthen not only the audit function but also the efficiency of the current public oversight structures.

There is ample empirical evidence to document the impact of cross-country differences in legal frameworks and enforcement systems in accounting and audit quality (Brown et al., 2014, La Porta et al., 1998, 2000, 2006, Francis & Wang, 2008). However, in-depth empirical evidence on how changes in the audit oversight structures have affected audit and accounting quality is scarce. Existing evidence focuses mainly on the role of the PCAOB, as it is one of the few countries where inspection findings are publicly available.

Early evidence in the US focused on identifying the key deficiencies observed in the inspection’s findings released by the PCAOB (Hermanson et al., 2007; Hermanson & Houston, 2008 and 2009; Landis et al., 2011) and the impact of the identified deficiencies (Daugherty et al., 2011; Gramling et al., 2011). Audit firms with identified deficiencies are more likely to be dismissed by their clients (Daugherty et al., 2011; Abbott et al., 2013) or become resigned to auditing a listed company thus fulfilling the obligation to be overseen by the PCAOB (Daugherty et al., 2011). Gramling et al. (2011) document that inspected companies with observed deficiencies are more likely to issue going-concern opinions to distressed clients, suggesting a real impact of inspections on audit quality. Further evidence documents the informational value of PCAOB inspections and sanctions across US investors (Dee et al., 2011) and the impact of inspections on audit quality

³Regulation 537/2014 requires the competent oversight authority to carry out periodic quality assurance reviews, every three years for auditors of public-interest entities and six-years for non-PIEs. Additionally, the quality assessment process for PIEs identified as “inspections” must be always carried out by independent professionals (*inspectors*) hired or contracted directly by the oversight body, with a suitable professional background in audit, financial markets, or financial reporting (Art. 26).

(Gramling et al., 2011; Gipper et al. 2020; DeFond & Lennox, 2017; Aobdia, 2019).

The PCAOB oversight model has also been analysed using qualitative research techniques. Initial studies questioned the usefulness of these inspections (Glover et al., 2009; Houston & Stefaniak, 2013). A more recent study by Westermann et al. (2019) interviewed and surveyed auditors to collect their opinion about the inspection process and identify the effects of the inspection findings. The authors documented that auditors experience the inspection process as an “arduous trial that impacts their professional autonomy” and forces them to adopt a more bureaucratic auditing approach to satisfy the PCAOB requirements. However, archival evidence supports the idea of a significant impact on audit quality.

The launch of the PCAOB inspection programme for international audit companies in 2005⁴ opened a new scenario to identify the impact of the PCAOB's oversight role among non-US audit companies. Bishop et al. (2013) provides an analysis of the PCAOB international audit company inspection programme, examining the results of a total of 175 first-time and 56 second-time inspection reports. They documented a very similar pattern of deficiencies compared to the evidence documented in the US. Further evidence documents the positive effects of these international PCAOB inspections. Carcello et al. (2011b) document that US investors are sensitive to PCAOB inspections of international audit firms and Shroff (2022) document a reduction in financial frictions for non-US clients of auditors inspected by the PCAOB, revealing that the US inspections have positive international spill over effects. Consistent with the US literature, Lamoreaux (2016), Krishnan et al. (2017) and Fun et al. (2017) also document positive effects on audit quality.

Following the research trend of qualitative analysis, Hanlon & Shroff (2022) surveyed POBSA inspectors across 20 countries to gather their perceptions regarding whether, how and why auditors respond to inspections and change their auditing procedures and practices over time. The authors documented that a vast majority of inspectors believe that auditors frequently adjust their procedures as well as the audit firm culture as a result of the inspections. Inspectors are perceived to have more authority than peer-reviewers, hence being more effective in the enhancement of audit processes and therefore audit quality. This evidence is consistent with the international Carson et al. (2021) cross-country study. These authors look at the impact of implementing the public oversight model across a total of 51 countries. They observed that the level of companies' abnormal accruals, working capital and discretionary revenues significantly decrease when their auditors commenced to be overseen by independent public bodies.

The expansion of the independent audit oversight model implemented in the US and the restructuring process of the EU audit oversight systems from 2006 onwards, gave the opportunity to examine the impact of the new audit oversight model in a non-US context. García Osma et al. (2017) was one of the first studies to look at the differences between the European POBSAs' characteristics. These authors documented how EU countries' adaptation process to the content of the 2006 Directive had different speeds, affected by the need for a significant institutional change and the divergence between the pre-existing system and the content of the Directive. More recent European evidence by Florou & Shuai

(2024) reports the effect of inspections on audit fees, suggesting an increase of auditors' work in those countries with a more solid enforcement system. These authors argue that in public oversight bodies with enough inspectors and the existence of cooling periods to join the private sector, the inspection process will be more rigorous and independent. Their study provides evidence of an increase of audit fees, which suggests better auditing processes after an inspection processes. Conversely, evidence of the impact of disciplinary sanctions in Sweden (Sundgren & Svanström, 2017) shows limited impact for auditors of private firms. These authors observed that there are no significant changes in the way auditors perform their tasks.

Overall, existing evidence shows that inspection procedures have positive effects on the audit process and audit quality, and therefore, corroborates the relevance of the enforcement institutions. The current audit oversight systems in Europe lag behind the PCAOB and the EU targets during this *refining period* will not be evenly achieved unless the effectiveness and efficiency of audit oversight are also harmonized.

3. The current structures for oversight systems in the EU, UK, USA and Australia

To conduct our study, we geographically grouped the 14 EU countries analysed and then added three common law countries outside the EU, namely the UK, Australia and the USA, for comparison purposes. Table 1 presents a summary of the 17 analysed Public Oversight Bodies of the auditing profession. Countries are grouped as follows: EU - Central Europe (EU-CE): Austria, Belgium, France, Germany, Luxembourg and the Netherlands; EU - Scandinavia (EU-Sca): Denmark, Finland and Sweden; EU - Southern Europe (EU-SE): Greece, Italy, Portugal and Spain; EU - Anglo-Saxons (EU-SA): Ireland; Non-European countries (Non-EU): Australia, the USA and the UK. All the information has been manually collected from the POBSAs' official websites⁵. Annex I provides a brief description of the main characteristics of each of the POBSAs under analysis.

To facilitate comparisons across the countries under study, we build on the conceptual framework of García Osma et al. (2017) introducing the present requirements of Regulation 537/2014 and Directive 2014/56/EC to identify the most prevalent characteristics across the different POBSAs under study. This framework serves as a benchmark to compare how countries have aligned their audit oversight systems to the current EU regulations. Particularly, we compare the countries based on the following dimensions: (1) competencies in audit oversight, (2) organizational structure, (3) financing mechanisms, (4) transparency, (5) supervisory mechanisms: quality controls and inspection procedures and (6) disciplinary mechanisms. Each dimension is operationalized through the variables listed in Table 2.

3.1. Competences in audit oversight

The first dimension refers to the general characteristics of the POBSAs and their competence in terms of auditor oversight:

Following Article 32.4 of the Directive, public auditor oversight encompasses three key roles: *regulatory, supervisory*

⁴Section 106 of the Sarbanes Oxley-Act (SOX) states that any foreign public accounting firm that prepares an audit report with respect to any listed company in the US shall be subject to the SOX and the rules of the PCAOB, as any other public accounting firm that operates in the US.

⁵To ensure the accuracy and reliability of the collected information, we utilize the membership profile of the International Forum of Independent Audit Regulators (IFIAR) as an additional source of information.

Table 1. Audit profession public oversight systems: Competent authorities in the EU, UK, Australia and USA

Country	Group	Competent bodies	Website
Australia	Non-EU	Australian Securities & Investments Commission (ASIC) Companies Auditors Disciplinary Board (CADB)	www.asic.gov.au www.cadb.gov.au
Austria	EU-CE	Auditor Oversight Body of Austria (AOBA) Abschlussprüferaufsichtsbehörde Österreichs (APAB)	www.apab.gv.at
Belgium	EU-CE	Belgium Audit Oversight College (BAOC) Collège de Supervision des Réviseurs d'entreprises (CSR)	https://www.fsma.be/fr/college-de-supervision-des-reviseurs-dentreprises-csr
Denmark	EU-Sca	Danish Business Authority - Erhvervsstyrelsen	https://erhvervsstyrelsen.dk
Finland	EU-Sca	Finish Patent and Registration Office (PRH) - Audit Supervisory Unit (AOU)- Tilintarkastusvalvonta	https://www.prh.fi/fi/tilintarkastusvalvonta.html
France	EU-CE	Haut Conseil du Commissariat aux Comptes (H3C)	www.h3c.org
Germany	EU-CE	Abschlussprüferaufsichtsstelle (APAS) Wirtschaftsprüferkammer (WPK)	www.apasbafa.bund.de www.wpk.de
Greece	EU-SE	Hellenic Accounting & Auditing Standards Oversight Board (HAASOB)	www.elte.org.gr
Ireland	EU-AS	Irish Auditing & Accounting Supervisory Authority (IAASA)	www.iaasa.ie
Italy	EU-SE	Commissione Nazionale per le Società e la Borsa (CONSOB)	www.consob.it
Luxemburg	EU-CE	Commission de Surveillance du Secteur Financier (CSSF)	www.cssf.lu
Netherlands	EU-CE	Netherlands Authority for the Financial Markets (AFM) - Autoriteit Financiële Markten	www.afm.nl
Portugal	EU-SE	Comissão del Mercado de Valores Mobiliarios (CMVM)	www.cmvm.pt
Spain	EU-SE	Instituto de Contabilidad y Auditoría de Cuentas (ICAC)	www.icac.meh.es
Sweden	EU-Sca	Swedish Inspectorate of Auditors - Revisorsinspektionen (RI)	https://www.revisorsinspektionen.se
United Kingdom	EU-AS	Financial Reporting Council (FRC)	www.frc.org.uk
USA	Non-EU	Public Company Accounting Oversight Board (PCAOB)	www.pcaobus.org

Source: Prepared by the authors on the basis of the European Group of Auditors' Oversight Bodies (EGAOB) and independent Forum of Independent Audit Regulators (IFIAR) reports.

Table 2. Factors to compare public oversight systems for auditors in the EU, UK, Australia and USA

Dimension	Analysed variable	Variable description
Competences in audit oversight	Year of creation	Year in which the body was officially established and begins to exercise its functions.
	Year initiating the activities	Year in which the body begins to exercise its functions as POBSA
	Number of years	Number of years as POBSA
	Registration responsibility	The POBSA has direct or oversight competence over the Licensing and Registration as a statutory auditor or audit firms (direct/oversight).
	Permanent Education responsibility	The POBSA has direct or oversight competence over the permanent education and continuous training of statutory auditor or audit firms (direct/oversight).
	Ethic Standard Setting responsibility	The POBSA has direct or oversight competence over Ethics Standard Setting (direct/oversight).
Organizational structure	Enforcement and Inspections responsibility	The POBSA has direct or oversight competence over the quality controls, inspections and disciplining procedures (direct/oversight)
	Nº of member of the Board	Number of Board members
	Professional presence	Professional presence at the Board (yes/no)
	Nomination procedure for the Board members	Nomination process of the POBSA Board members
	Tenure	Maximum number of years as a Board member.
	Cooling-off	Existence of a cooling-off period for practitioners or former auditors to access as a Board member (yes/no)
Financing	Staff	Number of staff members
	Funding source	Funding sources: (a) 100% governmental, (b) Mixed model: governmental funding and fees charged to statutory auditors and auditing firms or (c) Self-financed from fees charged to statutory auditors and audit firms.
Transparency	Funding amount	Total funds received in the latest publicly available budget
	Annual reports	The POBSA publishes an annual report (yes/no)
	Work programmes	The POBSA publishes a work programme (yes/no)
	Inspection results	Inspection detailed reports are available (yes/no)
	Disciplinary sanctions	Disciplinary sanctions are publicly available (yes/no)
Supervisory mechanisms	Public statutory auditors register	There is a public statutory auditors register available (yes/no)
	Quality assurance system	The POBSA responsible for the all the quality controls (inspections) for PIE and non-PIE auditors (POBSA/ProfBody)
	Quality assurance system	The POBSA delegates on professional bodies (POBSA/ProfBody)
	Investigation and Discipline	the POBSA IS responsible for the all the investigation and discipline procedures for PIE and non-PIE auditors (POBSA/ProfBody)
Disciplinary mechanisms	Investigation and Discipline	Does the POBSA delegates on professional bodies (POBSA/ProfBody)
	Disciplinary competence	The POBSA is the disciplinary body (POBSA/Other)
	Maximum fine threshold	Existence of a maximum fine threshold (yes/no)
	Maximum fine: details	Available information about the maximum fine threshold.

Source: Conceptual framework based on García Osma et al. (2017), the requirements of the Directives 2006/43/EC, 2014/56/UE, Regulation 537/2014 and the IFIAR Member Profile Report available at www.ifiar.org

and disciplining the audit profession. The regulatory role is related to: (a) the registration of statutory auditors and audit firms, the control of access to the profession and the maintenance of a public registry; (b) the issuance of standards on professional ethics and internal quality controls of audit firms, and (c) the establishment of continuous education mechanisms. The supervisory functions refer to quality controls and inspection procedures and lastly, the disciplining functions relate to the investigation and sanctioning responsibilities. Some of these responsibilities (i.e. registration, permanent education, ethic standard setting, quality reviews or sanctioning) may be delegated to other competent bodies such as the professional corporations or in the case of the sanctioning process, to the judicial authorities or other disciplining bodies linked to the POBSAs. However, the ultimate responsibility must always rest with a single competent authority (Art. 32.4). Additionally, quality assurance reviews for PIEs (known as “inspections”) and “investigations” related to potentially sanctionable proceedings, must be carried out directly by the oversight body. Alternatively, non-PIE audit quality reviews and investigations may be delegated to a different body, usually the auditors’ professional corporations, under the continuous supervision of the competent POBSA.

All the oversight bodies under study are governed by a similar common objective: guaranteeing the public oversight of auditors and auditing firms and the enforcement of the audit regulation, as required by the Directive. On top of these key responsibilities, some bodies such as ASIC in Australia, CONSOB in Italy, AFM in The Netherlands, CSSF in Luxembourg and CMVM in Portugal are also the capital market regulators and, therefore, hold a wider range of responsibilities. Similarly, other bodies such as HAASOB in Greece, ICAC in Spain and FRC in the UK are not only auditor oversight bodies, but also financial reporting regulators and therefore, responsible for the issuance of accounting standards.

After the issuance of the 2006 Directive, countries reacted differently, by restructuring their oversight systems at different paces, and collaborating at different levels with the professional corporations to reconfigure the audit oversight mechanisms. Countries such as Spain or Italy just needed some adjustment to their existing oversight structures while others accomplished a wide transformation process.

Table 3 (Panel A) provides detailed information about the POBSAs competences in the areas of Audit Oversight, indicating whether the POBSA undertakes the responsibility directly or whether, alternatively, the responsibility is undertaken through the oversight of the procedure that is conducted by the professional corporations.

According to the data presented in Panel B, out of the 17 countries examined, 12 (70%) hold direct control over the registration of statutory auditors, audit firms, and the regulation of the access to the profession. In contrast, only four countries (Belgium, Germany, Ireland, and the UK) delegate this responsibility to professional bodies. In some countries, like Italy, the Ministry of Economics assumes the role of overseeing auditors’ registration.

A similar pattern emerges in the establishment of ethical standards, where 10 (60%) out of the 17 countries under study are responsible for issuing ethical standards. Alternatively, 6 countries rely on professional corporations to accomplish this task. Conversely, when it comes to permanent education, many of the countries (65%) delegate the control to the professional corporations and therefore, they assume an oversight role on this area.

In several countries, supervisory functions such as quality controls, investigations, and sanctioning procedures are still accomplished in collaboration with the professional bodies. Specifically, in accordance with the content of the 2014 Directive, the supervisory role for auditors of Public Interest Entities (PIEs) is directly controlled by the POBSA. However, in

Table 3. Breakdown of the POBSAs competences in the areas within Audit Oversight

Panel A. Detailed information									
Country	Group	Body	Year	First year as POBSA	Nº years	Registration	Perm. education	Ethic standard setting	Enforcement and inspections
Australia	Non-EU	ASIC	1991	1991	32	Direct	–	–	Direct
USA	Non-EU	PCAOB	2002	2002	21	Direct	–	Direct	Direct
UK	Non-EU	FRC	1990	2005	18	Oversight	Oversight	Direct	Direct/oversight
Ireland	EU-AS	IAASA	2003	2006	17	Oversight	Oversight	Direct	Direct/oversight
Austria	EU-CE	APAB	2016	2016	7	Direct	Oversight	Oversight	Direct
Belgium	EU-CE	CSR	2016	2017	6	Oversight	Oversight	Oversight	Direct
France	EU-CE	H3C	2003	2003	20	Direct	Direct	Direct	Direct/Oversight
Germany	EU-CE	APAS	2016	2016	7	Oversight	Oversight	Oversight	Direct/Oversight
Luxemburg	EU-CE	CSSF	1998	2016	7	Direct	Direct	Direct	Direct
Netherlands	EU-CE	AFM	2002	2002	21	Direct	Oversight	Oversight	Direct
Denmark	EU-Sca	DBA	2005	2017	6	Direct	Direct	Direct	Direct
Finland	EU-Sca	AOU	2015	2016	7	Direct	Oversight	Oversight	Direct
Sweden	EU-Sca	RI	1995	1995	28	Direct	Direct	Direct	Direct
Greece	EU-SE	HAASOB	2003	2003	20	Direct	Oversight	Direct	Direct/Oversight
Italy	EU-SE	RGS/CONSOB	1974	2010	13	-	Oversight	Direct	Direct
Portugal	EU-SE	CMVM	1991	2015	8	Direct	Oversight	Oversight	Direct/Oversight
Spain	EU-SE	ICAC	1988	1988	35	Direct	Oversight	Direct	Direct

Panel B: Summary of the role of the POBSAs in the different areas within Audit Oversight						
	Direct responsibility	Oversight role	n/a	Direct (%)	Oversight (%)	n/a (%)
Registration	12	4	1	70%	23%	6%
Permanent education	4	11	2	23.5%	64.7%	11.8%
Ethics standard setting	10	6	1	58.8%	35%	5.8%
Enforcement and inspections	17	6		100%	35%	-

certain countries such as Germany, France, Portugal, Ireland, Greece and the UK, the supervision of non-PIE auditors is delegated to the professional corporations. As a result, 6 (35%) out of the 17 countries under study, collaborate intensively with the professional corporations in terms of supervision and enforcement mechanisms for non-PIEs auditors, with the POBSA assuming an oversight role.

3.2. Structure

Table 4 shows detailed information about the organizational structure of the POBSAs: we look at the number of board members, the tenure period, the official body in charge of the appointment, the existence of a cooling-off period⁶ and the number of staff linked to audit oversight.

According to article 32 of Directive 2006/43/EC, POBSAs are mandated to be governed by non-practitioners who are knowledgeable in areas relevant to statutory audit⁷ and are selected in accordance with an independent and transparent nomination procedure (Article 32.3). Independence is an essential requirement to avoid conflict of interests and guarantee the effectiveness of the oversight system. However, as reported in Table 4, professionals are still present in 47% of the boards. Particularly, in Ireland, Austria, France, Belgium, Luxemburg, the Netherlands, Portugal and Spain. Nevertheless, in most of these countries a cooling-off period of 3 years is required for former auditors to be members of the board.

⁶The cooling off period may be required before their appointment and after their termination as members of the Board. Some countries incorporate cooling-off periods for staff members, particularly, inspectors involved in quality control procedures for PIE's auditors.

⁷The Directive allows a minority of auditors (practitioners) to be designated as Board Members, as long as they are selected in accordance with a transparent and independent procedure (Art. 32.3). "Non-practitioner" is considered any natural person who, during his or her involvement in the governance of the public oversight system and during the period of three years immediately preceding that involvement, has not carried out statutory audits, has not held voting rights in an audit firm, has not been a member of the administrative, management or supervisory body of an audit firm and has not been employed by, or otherwise associated with, an audit firm (Art. 2.15).

That is not the case of Luxemburg where the profession is represented in the board, but with very limited responsibilities.

As reported in Table 4, board size ranges from a minimum of 2 board members in the APAB (Austria) to 11 in Denmark (DBA, *Erhvervsstyrelsen*) or 14 in France (H3C). Board members' professional profiles comprise a wide range of professionals linked to careers in the fields of auditing, accounting, economics, and law. Board members are former auditors complying with a previous cooling-off period, preparers, managers, politicians, judges, academics or civil servants. The general requirements for being appointed as a board member are prescribed by a competent governmental authority. In France, the board must incorporate the Director-General of the Treasury, the Chairman of the AMF and the Chairman of the ACPR among other members. In Finland, the general requirements are prescribed by the Finnish Patent & Registration Office. In Belgium, 2 members are appointed by the National Bank of Belgium, 2 by the FSMA, and 2 by the King. In Ireland, 8 of the 9 members are appointed by the Minister after being nominated by the professional bodies and state agencies such as the Central Bank of Ireland.

The tenure varies significantly across countries and ranges between 3 years in Greece, Finland or the UK to 7 in Italy. There are very few shared features in the internal organization of POBSAs which makes comparability amongst the governing structures unfeasible. In addition, the wide dispersion in the number of staff members linked to the audit oversight process shows that the size of the POBSAs in the EU is small, compared mainly to the FRC in the UK and the PCAOB in the US. The three biggest POBSAs in Europe are settled in France (H3C), Ireland (IAASA) and the Netherlands, where the AMF is also the stock market regulator. Article 32.7 of the Directive requires Member States to provide POBSAs with sufficient human resources to perform their tasks. This staff shortage to accomplish the oversight roles forces the POBSAs to collaborate with the auditors' professional corporations in the quality controls of non-PIE auditors.

Table 4. Breakdown of the POBSAs organizational structure

Country	Group	Body	Board members	Tenure	Cooling off	Board Prof. presence	Appointed by	Staff
Australia	Non-EU	ASIC	7	5	1	0	Federal Government	81
USA	Non-EU	PCAOB	5	5	1	0	SEC	800
UK	Non-EU	FRC	7	3	1	0	Secretary of State	111
Ireland	EU-AS	IAASA	9	4	1	1	Minister	41
Austria	EU-CE	APAB	2	5	1	1	Austrian Federal Government	10
Belgium	EU-CE	CSR	6	6	1	1	National Bank of Belgium (2) FSMA (2) and the King (2)	12
France	EU-CE	H3C	14	6	1	1	Government	47
Germany	EU-CE	APAS	10	n/a	1	0	Ministry of Economics	25
Luxemburg	EU-CE	CSSF	7	5	0	1	Government	10
Netherlands	EU-CE	AFM	5	4	1	1	Minister of Finance	45
Denmark	EU-Sca	DBA	13	n/a	1	0	Ministry of Business	11
Finland	EU-Sca	AOU	10	3	1	0	Government	18
Sweden	EU-Sca	RI	9	6	1	0	Government	24
Greece	EU-SE	HAASOB	7	3	1	0	Ministry of Finance	7
Italy	EU-SE	RGS/CONSOB	5	7	1	0	Government	19
Portugal	EU-SE	CMVM	4	n/a	0	0	Government	14
Spain	EU-SE	ICAC	13	n/a	1	1	Government	30
Total (%)					17 (100%)	7 (41%)		
Average			7	4,8		-		76,5

Table 5. POBSAs finance structure

Country	Group	Body	Funding source	Funding amount	Source (year)
Australia	Non-EU	ASIC	Mixed model	385.7 Million AUD	ASIC (2018-2019) Annual Report
USA	Non-EU	PCAOB	Self-financed	273.7 Million \$	PCAOB 2019 Budget
UK	Non-EU	FRC	Self-financed	16 Million GBP	FRC (2018) Annual Report
Ireland	EU-AS	IAASA	Self-financed	3.74 M€	IAASA 2018 Annual Report
Austria	EU-CE	APAB	Mixed model	1.63 M€	APAB 2019 Budget
Belgium	EU-CE	CSR	Self-financed	3 M€	CSR (2019) Annual report
France	EU-CE	H3C	Self-financed	14.9 M€	H3C (2018) Annual Report
Germany	EU-CE	APAS	Mixed model	n/a	APAS (2018) Annual Report
Luxemburg	EU-CE	CSSF	Self-financed	125.8 M€	CSSF (2018) Annual Report
Netherlands	EU-CE	AFM	Self-financed	98.9 M€	AFM (2017) Annual Report
Denmark	EU-Sca	DBA	Mixed model	71.25 M€	DBA (2017) Annual Report
Finland	EU-Sca	AOU	Self-financed	2 M€	PRH Annual Report (2017)
Sweden	EU-Sca	RI	Self-financed	3.5 M€	RI Annual Report (2017)
Greece	EU-SE	HAASOB	Self-financed	2.5 M€	HAASOB (2017) Annual Report
Italy	EU-SE	RGS/CONSOB	Mixed model	132 M€	CONSOB (2016) Annual Report
Portugal	EU-SE	CMVM	Mixed model	22.4 M€	CMVM (2018) Annual Report
Spain	EU-SE	ICAC	Self-financed	8.6 M€	ICAC (2018) Annual Report
			n ^o of countries	%	
			Mixed model	6	35%
			Self-financed	11	65%

3.3. Financing

The third dimension explains the financing mechanisms that avoid the risks of economic dependence. Article 32.7 of the Directive requires a funding system free of any undue influence on the independence of the public oversight body. We have compared the budgets of EU public oversight bodies by focusing on two issues: (a) the source of funding and (b) the total budget amount in the latest available year - 2017, 2018 or 2019 when possible.

Table 5 presents comparative information across the public oversight bodies under analysis for the financing structure and the source of the funding information. Of the 17 public oversight bodies studied, 11 (65%) are self-financed with the levies imposed on statutory auditors, audit firms and professional organizations. 6 countries (35%) have a mixed financing structure where the fees are complemented with govern-

mental resources (i.e. Australia, Austria, Denmark, Germany, Denmark, Italy, and Portugal). Due to the lack of comparable annual reports and the differences in the organizational structures of the POBSAs, make unfeasible to comparable directly budget amounts. However, taking the PCAOB or FRC budget as reference points, it becomes evident that the majority of EU POBSAs lack the necessary and independent economic resources to accomplish the oversight responsibilities. Even the EU capital market regulators with audit oversight competences fall short of the budgets allocated to the Australian or US oversight authorities.

3.4. Transparency

The fourth-dimension deals with transparency. Art 32.6 of the 2014 Directive requires oversight bodies to prepare annual work programmes and annual activity reports. In ad-

Table 6. POBSAs Transparency activities

Country	Group	Body	Annual reports		Work programmes		Inspection results	Publishing disciplinary sanctions		Public statutory auditor's registry	
			Yes (1) No (0)	Yes (1) No (0)	Yes (1) No (0)	Yes (1) No (0)		Yes (1) No (0)			
Australia	Non-EU	ASIC	1	1	Detailed	1	1	1	1		
UK	Non-EU	FRC	1	1	Detailed	1	1	1	1		
USA	Non-EU	PCAOB	1	1	Detailed	1	1	1	1		
Ireland	EU-SE	IAASA	1	1	Detailed	1	1	1	1		
Austria	EU-CE	APAB	1	1	General	1	1	1	1		
Belgium	EU-CE	CSR	1	1	General	1	1	1	1		
France	EU-CE	H3C	1	1	General	1	1	1	1		
Germany	EU-CE	APAS	1	1	General	1	1	1	1		
Luxemburg	EU-CE	CSSF	1	1	General	1	1	1	1		
Netherlands	EU-CE	AFM	1	1	General	1	1	1	1		
Denmark	EU-Sca	DBA	1	0	General	1	1	1	1		
Finland	EU-Sca	AOU	1	0	General	0	0	0	0		
Sweden	EU-Sca	RI	1	1	General	1	1	1	1		
Greece	EU-SE	HAASOB	1	1	General	1	1	1	1		
Italy	EU-AS	CONSOB	1	1	General	1	1	1	1		
Portugal	EU-SE	CMVM	1	1	General	0	0	1	1		
Spain	EU-SE	ICAC	1	1	General	1	1	1	1		
			n ^o of countries		%						
			Detailed results		4		24%				
			General		13		76%				
			Sanctions repository		15		88%				

dition, [Regulation 537/2014](#) requires the publication of the overall results of the quality assurance reviews and inspections. Whistleblowing procedures are also recommended. [Table 6](#) presents a comparison of the level of transparency across the 17 POBSAs analysed. Particularly, we have identified the periodic publication of (a) an annual report (b) an annual work programme, (c) disciplinary sanctions following the requirements of [art. 32.6 of Directive 2014/56/EU](#) and (d) the presence of a public statutory auditor registry.

The annual report and the work programmes of all the POBSAs under study are easily available through their websites. The annual report offers information on the number of supervisory activities. However, it is important to note that the quantity and type of information provided may vary among countries. The absence of standardized reporting formats and the use of each country's official language to present the results of oversight activities pose challenges in assessing differences in oversight procedures. There are only 4 countries out of the 17 under analysis that report detailed information about each of the inspection procedures and just only one (Ireland) belongs to the EU. Work programmes are also available in most of the countries under study, apart from Denmark and Finland where access to these programmes has not been identified.

Although most countries have a repository of sanctions (15 countries), the detailed information on disciplinary sanctions is rarely available. It is very difficult to find the public repository, and when available, most of them are anonymous. Spain, Sweden and Ireland are the only examples of greater transparency, where sanctions are easily available and detailed information is offered. In Finland and Portugal sanctions are not available.

All of the countries have a publicly accessible registry of statutory auditors, except for Finland, where this information must be specifically requested to the competent authority.

3.5. Supervisory mechanisms

Quality assurance reviews (hereafter, QARs) are essential to prevent or address potential deficiencies in statutory audits ([Directive 2014/56/EC](#)). The quality assurance system must be based on a public and independent oversight system (Art. 29.1). Reviewers, also known as inspectors, must have appropriate professional qualifications and relevant experience in statutory audit and financial reporting combined with specific training on QARs (Art. 29.2).

The [Regulation 537/2014](#) establishes that quality assurance reviews for PIEs, known as “inspections”, must be directly carried out directly by the POBSAs’ inspectors who are also required to have experience in auditing, financial markets, and financial reporting. Conversely, QARs for non-PIEs can be delegated in professional bodies supervised by the POBSA. The comparative analysis reported in [Table 7](#) Panel A shows the type of collaboration with professional bodies and how it varies across countries, while Panel B provides a quantitative summary.

Following the EU 537/2014 Regulation, all countries have assumed direct responsibility for conducting inspections of PIEs’ auditors. However, only 12 countries assume the direct control in the case of non-PIEs’ auditors. In recent years, some EU countries have transitioned towards direct quality assurance regimes. For example, France and Sweden have adopted this approach granting greater autonomy and authority to the POBSA and reducing the reliance on the expertise of professional bodies. Nevertheless, professional bodies still play a significant role in the QARs. Five countries under

Table 7. POBSAs quality assurance and inspection activities

Panel A. Distribution between POBSAs and professional bodies						
Country	Group	POBSA	Quality assurance system		Investigation and disciplinary system	
			PIE	Non PIE	PIE	Non PIE
Australia	Non-EU	ASIC	POBSA	POBSA	POBSA	POBSA
USA	Non-EU	PCAOB	POBSA	POBSA	POBSA	POBSA
United Kingdom	Non-EU	FRC	POBSA	ProfBody	POBSA	ProfBody
Ireland	EU-AS	IAASA	POBSA	ProfBody	POBSA	ProfBody
Austria	EU-CE	APAB	POBSA	POBSA	POBSA	POBSA
Belgium	EU-CE	CSR/CTR	POBSA	POBSA	POBSA	POBSA
France	EU-CE	H3C	POBSA	POBSA/ProfBody	POBSA	POBSA
Germany	EU-CE	APAS	POBSA	ProfBody	POBSA	POBSA/ProfBody
Luxemburg	EU-CE	CSSF	POBSA	POBSA	POBSA	POBSA
Netherlands	EU-CE	AFM	POBSA	POBSA	POBSA	POBSA
Denmark	EU-Sca	DBA	POBSA	POBSA	POBSA	POBSA
Finland	EU-Sca	AOU	POBSA	POBSA	POBSA	POBSA
Sweden	EU-Sca	RI	POBSA	POBSA/ProfBody	POBSA	POBSA
Greece	EU-SE	HAASOB	POBSA	ProfBody	POBSA	POBSA
Italy	EU-SE	CONSOB	POBSA	Other (RGS)	POBSA	Other (RGS)
Portugal	EU-SE	CMVM	POBSA	ProfBody	POBSA	POBSA/ProfBody
Spain	EU-SE	ICAC	POBSA	POBSA	POBSA	POBSA
Panel B. Summary of the role of the inspection and disciplining role of the POBSA's						
Competences			Direct Responsibility	Oversight role		
Quality assurance system PIEs			17 (100%)	-		
Quality assurance non-PIEs			12 (70%)	5 (30%)		
Investigation and Discipline PIEs			17 (100%)	-		
Investigation and discipline non-PIEs			13 (76%)	4 (24%)		
Total						

study (UK, Ireland, Germany, Greece and Portugal) delegate the QARs in the professional bodies, where the POBSA adopts the role of supervisor.

3.6. Disciplinary mechanisms

With respect to the investigation procedures and the implementation of sanctions, [Directive 2014/56/EC](#) requires Member States to ensure effective systems of investigation and sanctions to identify, prevent and amend any incorrect statutory audit (Art. 30). Sanctions are not specified in the Directive, allowing Member States to establish their own sanction regime. However, the Directive requires the sanctions to be “effective”, “dissuasive” and “proportionate” and must be disclosed to the public for a minimum of five years (Art. 30.4). Sanctions can be both pecuniary and non-pecuniary. Non-pecuniary sanctions range from a notice requiring the person responsible for the breach to cease the conduct, to a temporary prohibition to sign audit reports or to exercise any function in audit firms or public-interest entities (art. 30a). All sanctions must be adjusted to a set of factors (art. 30b) such as the seriousness of the fact, the responsibility of the person involved, the level of cooperation with the competent authority or any previous breaches of conduct.

In terms of the public disclosure of the sanctions, Member States can decide whether to disclose or, alternatively, to omit the personal data of the sanctioned auditor⁸. Thus,

⁸Based on the content of Directive 95/46/EC (art. 2), countries are al-

public disclosure of disciplinary actions and the detail of information provided differs widely across countries, leading to potential differences in the incentives to avoid breaches of conduct (García-Osma et al., 2020). The timeline of public disclosure of sanctions differs across countries. While Italy, Sweden or Spain reprimands were first published in 1986, 1990 and 1991 respectively, Luxemburg only began to publish the first sanction in 2016, and Finland or Portugal do not have a public sanction repository to date.

Table 8 presents information on the disciplinary mechanisms in all the countries included in the study. Like Dowling et al. (2018), we were unable to identify different enforcement styles that may affect the compliance of auditing standards and therefore, audit quality. Table 8 reports detailed information about the sanctioning body and the existence of a maximum fine.

All POBSAs have sanctioning powers, sometimes jointly exercised with professional bodies. Some countries (Belgium, Denmark and Australia) have other disciplinary bodies which are directly linked to the POBSA.

Regarding the maximum potential fine, we find a considerable dispersion of data, that limits any possible comparison across jurisdictions. It should be noted that in some countries, such as the UK, there is not a specific maximum limit, while in others the information has not been accessible. Overall, the available data shows a lack of harmonization in the sanction's regime. As mentioned earlier, this disparity may create differences in the auditor incentives to avoid breaches of conduct (García-Osma et al., 2020), particularly in the context of non-PIEs. Harmonizing sanctions across countries could contribute to a more consistent audit enforcement framework that would avoid potential breaches of conduct and ultimately benefit audit quality.

lowed to avoid personal data on the sanction. Additionally, the publication of any sanction must always comply with national legislation and any public statement must always respect fundamental rights as laid down in the Charter of Fundamental Rights of the European Union (Art. 30c).

4. Analysis of the costs and benefits of the different organizational oversight models

As previously stated, we build on the García Osma et al. (2017) framework and the content of the 2014 Directive, to provide a consistent comparison of the different audit oversight systems under study. In addition, we identify a set of costs and benefits of the characteristics that could potentially affect the institutional effectiveness of each POBSA. Particularly, we examine their potential impact on two key variables: independence and competence. Particularly, we examine the potential impact of each characteristic on the independence and competence.

As described by Löhlein (2017), independence is considered as "the autonomy of the oversight entity to self-determine its preferences and to make use of its regulatory competencies without constraints from the accounting profession". Similarly, competence represents the capability to perform tasks, solve problems, make decisions, and achieve desired outcomes with proficiency and expertise without excessively costly behaviour (Gilbert, 1978; Teodorescu, 2006). Competence and independence are crucial for an effective functioning of the POBSAs. Both board members and technical staff must be independent from the audit profession and simultaneously have technical knowledge in auditing and accounting to perform successfully all the inspections and investigations procedures.

The descriptive analysis presented in section 3 reveals noticeable differences among the adopted organizational models across the different countries under study, particularly within the EU. These variations can be attributed to the flexibility granted by the 2006 and 2014 Directives, that allows countries to adapt their national audit oversight models to their regulatory traditions. However, as previously stated each of the adopted institutional characteristics has a set of costs and benefits that could potentially affect the effective-

Table 8. Disciplinary regime

Country	Sanctioning body	Maximum Fine	Maximum amount
Australia	Non-EU Company Auditors' Disciplinary Board (CADB)	Yes	For companies: the greater of: (a) \$ 11.1 million, (ii) three times the benefit obtained, or detriment avoided (iii) 10% of annual turnover, capped at \$ 555 million. For individuals: (a) \$ 1 million or (ii) three times the benefit obtained, or detriment avoided.
USA	Non-EU POBSA	Yes	\$ 750,000 for a natural person or \$ 15,000,000 for any other person
United Kingdom	Non-EU POBSA/Profbody	No	The FRC does not have a maximum limit. The sanctions are decided by the Tribunal
Ireland	EU-AS POBSA/Profbody	Yes	100,000 multiplied by the number of statutory auditors in the firm at the time that the relevant contravention occurred or 100,000 € in the case of an individual person.
Austria	EU-CE POBSA	n/a	-
Belgium	EU-CE Commission of sanctions of FSMA	Yes	2.5M€ or up to three times the loss avoided, or the profit gained through the breach
France	EU-CE POBSA	Yes	1 M€ or the average of audit fees for 3 years or for the year concerned
Germany	EU-CE POBSA/Profbody	Yes	500.000 €
Luxemburg	EU-CE POBSA	Yes	1.000.000 €
Netherlands	EU-CE POBSA	Yes	4.000.000 €
Denmark	EU-Sca Disciplinary Board of Auditors (Revisornaevnet)	n/a	-
Finland	EU-Sca POBSA	n/a	-
Sweden	EU-Sca POBSA	Yes	2% of their annual revenue
Greece	EU-SE POBSA	Yes	100.000 €
Italy	EU-SE POBSA/Other(RGS)	Yes	150.000€ /500.000 € // 1000 € to 150.000 € for non-PIEs engagements.
Portugal	EU-SE POBSA/Profbody	Yes	5.000.000 €
Spain	EU-SE POBSA	Yes	6% of the audit fees in the last financial year, Range of sanctions will be increased 20% for PIEs engagements

ness of each of the POBSAs. As an example, the recent Wirecard scandal that took place Germany in 2020 is a clear illustration of the relevance of understanding the implemented audit oversight mechanisms in different jurisdictions, to enable policymakers to identify areas for improvement in the supervisory role of the POBSAs.

Table 9 provides a summary of the percentage of countries adopting each of the institutional characteristics under analysis and their impact in the independence and competence of the POBSA, along with the associated costs and benefits.

We have identified two main costs: overbureaucracy and dependency. Overbureaucracy is linked to higher financing costs whereas dependency is linked to the need to rely in auditing professional organizations or to the Government, to accomplish the oversight responsibilities. We have also identified a set of benefits associated to the different observed organizational characteristics: independence, control or self-awareness, affordability, and transparency.

Regarding the functions on auditing and more specifically, the supervisory and disciplinary mechanisms, a “*direct responsibility model*” over the different auditing functions (registration, permanent education, ethic standard setting and enforcement and inspections) allows the POBSA to exercise a greater control over the procedures, to ensure a consistent enforcement of the audit regulation. Similarly, direct control positively impacts its independence due to the lack of reliance on the professional organizations. However, this direct performance of functions also entails several costs, since the POBSA must hire and train technical staff with enough expertise to fulfil their supervisory duties. Furthermore, a direct responsibility may create a set of over-bureaucracies, that may lead to slower decision-making processes hindering the effectiveness of the POBSA. Consequently, direct enforcement responsibilities would positively affect the independence of the POBSA, but it may be to the detriment of its competence and efficiency.

Table 9. Cost-benefit analysis of each implemented characteristics and its impact on independence and competence

Dimension	Most implemented characteristics	% of implemented cases	Main Benefits	Main Costs	Impact on independence	Impact on competence
Functions on Auditing	Registration (direct)	70%	control/self-awareness/independence	costly/overbureaucracy	+	-
	Registration (oversight)	23%	low-cost/affordable	dependency	-	+
	Permanent education (direct)	24%	control/self-awareness/independence	costly/overbureaucracy	+	-
	Permanent education (oversight)	65%	low-cost/affordable	dependency	-	+
	Ethic standard setting (direct)	59%	control/self-awareness/independence	costly/overbureaucracy	+	-
	Ethic standard setting (oversight)	35%	low-cost/affordable	dependency	-	+
	Enforcement and inspections (direct)	100%	control/self-awareness/independence	costly/overbureaucracy	+	-
	Enforcement and inspections (oversight)	35%	low-cost/affordable	dependency	-	+
Organization structure	Appointed by government or public body	100%	independence	governmental dependency	+	-
	Tenure (3 to 7 years)	76%	independence	competency	+	+
	Cooling off	88%	independence	costly	+	-
	Board composition: audit professional presence	47%	Professional-awareness	depedency	-	+
Financing	Self-financed funding source	65%	independence	costly/variability	+	n.a
Transparency	Publishing annual reports	100%	transparency	costly/overbureaucracy	+	n.a
	Publishing work programmes	88%	transparency	costly/overbureaucracy	+	+
	Overall Publishing inspections' results	100%	transparency	costly/overbureaucracy	+	n.a
	Publishing disciplinary sanctions	88%	transparency	costly/overbureaucracy	+	n.a
	Public statutory auditors registry	94%	transparency	costly/overbureaucracy	+	-
Supervisory Mechanisms	Quality assurance system (PIE) - Direct	100%	control/self-awareness/independence	costly/overbureaucracy	+	-
	Quality assurance system (PIE) - oversight	-	low-cost/affordable	dependency		
	Quality assurance system (non-PIE) - Direct	70%	control/self-awareness/independence	costly/overbureaucracy		
	Quality assurance system (non-PIE) - Oversight	30%	low-cost/affordable	dependency		
	Investigation and disciplinary system (PIE) - Direct	100%	control/self-awareness/independence	costly/overbureaucracy		
	Investigation and disciplinary system (PIE) - Oversight	-	low-cost/affordable	dependency	+	-
	Investigation and disciplinary system (non-PIE) - Direct	76%	control/self-awareness/independence	costly/overbureaucracy	+	-
Investigation and disciplinary system (non-PIE) - Oversight	24%	low-cost/affordable	dependency	+	-	
Disciplinary Mechanisms	Disciplinary board	24%	control/self-awareness/independence	costly/overbureaucracy	+	-
	Sanctioning competence - Direct	100%	control/self-awareness/independence	overbureaucracy/costly	+	-
	Maximum sanction	76%	objectivity/transparency	governmental dependency	+	n.a

As stated in article 32.4 of the 2014 Directive, POBSAs can delegate some of their responsibilities in other competent bodies such as the auditors' professional organizations. This option avoids a direct implication in the processes, limiting the role of the POBSA to an supervisory function. Some countries adopt this alternative in some of their duties such as the auditors' registration, ethical standards setting and permanent education control, as well as quality control and investigation procedures for auditors on non-Public Interest Entities. This "*supervisory model*" offers certain advantages, but it may also bring certain challenges. It is more affordable for the POBSAs and guarantees the reliance on competent staff from the auditor professional bodies, but simultaneously creates a high degree of dependence that could potentially impair the control of the POBSA over the different quality control and investigation processes.

Financing is an additional cornerstone of the different oversight models. Most of the countries under study have a "*self-financed funding model*" based on fees charged to the auditing firms and statutory auditors. This financing model favours independence from the governmental authorities, but it may also create a higher degree of variability in the budget that could affect the capacity to undertake new activities.

Transparency is essential for building trust in the POBSAs, strengthening their independence and credibility. However, providing a large amount of detailed information is costly. Despite its importance, is rare to find detailed information about the results of inspections, disciplinary measures, or the POBSAs' work programmes. Reported information is usually summarized and lacks homogeneity in terms of format and figures, thus hindering the possibility of making comparisons between countries.

Something similar happens with the organizational structure. All board members are nominated by a governmental competent body. However, there are wide differences in the organizational structures of the difference oversight bodies, the professional background of the members of the Board and their tenure.

The guidance provided by the 2014 Directive about the organizational structure is very broad, granting great discretion to each POBSA to configure their structure, the professional profile and the tenure of board members. This discretion creates notable disparities across POBSAs, which may have a significant impact on the supervisory procedures, and the degree of professional competence and independence of their board members. Although cooling-off periods are required in most countries and all board members are highly qualified, the lack of a more specific guidance on key matters (i.e. tenures, size of the board, structure, professional experience) may create disparities across countries and, therefore, potential distortion about the competence and independence of the POBSAs.

5. Conclusions

This study provides a comprehensive and comparative analysis of the different POBSAs within the European Union and other countries of reference. Building on the [García Osma et al. \(2017\)](#) conceptual framework and considering the provisions of the 2014 Directive, we develop a comparative and systematic study of 17 POBSAs. We aim to contribute to the field of audit oversight in the EU providing and in-depth analysis of each of the countries under study and building on previous literature to provide an extended conceptual framework that identifies the main costs and benefits of each of

the implemented oversight model and its impact on the independence and competence of each POBSA.

The study's findings indicate that the audit oversight bodies in the selected countries exhibit both strengths and weaknesses. All the board members' professional profiles comply with EU independence and transparency requirements; nevertheless, the organizational structure and the importance of the profession differ significantly across countries. Regarding the financing system, we identified that 11 out of the 17 POBSAs have a self-financing model, while the remainder also receive funding from the government. All POBSAs public an annual report and release periodic information. However, the disclosure policy for disciplinary actions is significantly different across countries, ranging from 30 years of public disclosure to non-disclosure.

Although all the POBSAs under analysis carry out both quality assurance reviews and inspections, the scope of supervision varies significantly among countries since this depends on the budget and other resources (i.e. reliance on the profession) that the POBSAs have to perform these activities. Regarding the disciplinary function there is also a wide degree of dispersion. In some countries the first sanctions were published shortly after the establishment of the POBSA, while others started to publish the sanctions recently. In addition, there is a wide dispersion across fines. The consequences of this lack of coordination, transparency and independence, as well as the risk of underfunding national POBSAs, increases the risk of failure in preventing future scandals.

Despite its contribution for policymakers, we acknowledge a set of limitations for the study. Particularly, in data availability. The access and extent of the provided information differs across countries, which restricts the analysis to those EU member states that possess more established and consolidated oversight bodies. about each of the POBSAs under study. Furthermore, the study does not provide a quantitative analysis of the costs and benefits, as well as the impact of each of the identified characteristics on the independence and competences of the oversight bodies. To address this limitations, future research could expand this analysis to contribute to offer a more robust understanding about the future of oversight systems in the EU.

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Conflict of interests

The authors declare no conflict of interests.

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Annex

Annex 1: Brief description of the institutions under study

EU - Central Europe countries (EU-CE)

Austria and the APAB: The APAB - *Abschlussprüferaufsichtsbehörde Österreichs* - is the oversight body of the audit profession in Austria. The APAB started its activities on 1 September 2016 after the enactment of a new Austrian Auditor Oversight Act (*Abschlussprüfer-Aufsichtsgesetz* - APAG). The APAB falls under the control of the Ministry of Finance and is responsible for the overall supervision of the audit profession in Austria. To accomplish its supervisory responsibilities, the APAB has the support and advice of the Quality Assessment Commission (*Qualitätsprüfungskommission*) that guarantees compliance with all applicable auditor oversight procedures, formed by 7 members appointed by the accounting profession for 4 years. The Commission has a Supervisory Board, whose members are appointed by the Government.

Belgium and the CTR/CSR: The *College van Toezicht op de Bedrijfsrevisoren / Collège de Supervision des Réviseurs d'Entreprises* (CTR/CSR) was created in 2016 to restructure the oversight of the audit profession in Belgium, started its activities in 2017 and is named in both French and Flemish. Before the foundation of the CTR/CSR, auditor oversight responsibilities relied on two organisms: *Conseil Supérieur des Professions Economiques/Hoge Raad voor de Economische Beroepen* (CSPE/HREB) and the *Chambre de Renvoi et de Mise en État* (CRME). The CTR/CSR's competences are directly related to the implementation of quality controls on the audit profession and the supervision of access to the auditing profession, which registration is delegated to the professional body, the *Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises* (IBR/IRE) and supervised by the CTR/CSR. Quality controls are conducted in close collaboration with the Financial Services and Market Authority (FSMA). Belgium is based on a multi-tier system that involves external parties, however most of the audit regulation had been developed by the profession, which became a rule-making body in 1953 (Vanstraelen & Willekens, 2008).

France and the H3C: The *Haut Conseil du Commissariat aux Comptes* (H3C) is the public oversight body in France with powers to supervise the audit profession and ensure compliance with audit regulations, ethical principles, and auditors' independence guidelines. Prior to the creation of the H3C, the auditing profession was self-regulated through the French professional accounting and auditing bodies: the *Compagnie Nationale des Commissaires aux Comptes* (CNCC) and the *Compagnie Regionale des Commissaires aux Comptes* (CRCC). The H3C was created in 2003 through the Financial Security Law and is the ultimate authority on quality assurance in France. Since 2009, it is entitled to directly oversee the activity of public interest entities' auditors or delegate the supervisory function for non-PIEs to the CNCC or CRCCs.

Germany and the APAS: The enactment of the *Abschlussprüferaufsichtsreformgesetz* (APAREG) law in June 2016 recognizes the *Abschlussprüferaufsichtsstelle* (APAS) as the Auditor Oversight Body in Germany, responsible for controlling the public oversight process for statutory audits in Germany. The APAS assumes the ultimate responsibility for the German public oversight system of the audit profession, integrated in the Federal Office Economic Affairs and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle* -BAFA-) dependent on the German Ministry of Economy.

Since 2016 the APAS is the highest authority responsible

for the auditor oversight system in Germany and only delegates some activities on the Institute of Public Auditors (*Wirtschaftsprüferkammer*], WPK). The APAS is responsible for all inspections, that is, the quality assurance procedures of the auditors of PIEs. The WPK proceeds with the quality controls for the non-PIE auditors and is required to report to the APAS any observed infringement. For the auditors of non-PIEs the oversight system's disciplinary procedures are functions operated by the WPK under the constant supervision of the APAS. Discipline and investigation procedures for the PIE auditors are under the direct scope of the APAS. Any severe violations of professional rules are sanctioned by special divisions of criminal courts.

Luxemburg and the CSSF: The *Commission de Surveillance du Secteur Financier* (CSSF) is a public institution that supervises the financial sector in Luxemburg. Their obligations and competences are included in the Constitutional Law of December 23, 1998. Later, the Law of July 23, 2016 granted the CSSF the mission of supervising and regulating the audit profession. Currently, the CSSF develops two main functions: (1) The supervision and regulation of the audit profession, and (2) the supervision of credit institutions and other professionals in the financial sector. The CSSF Board is composed by civil servants and is totally independent from the audit profession. The CSSF has full responsibility for audit profession oversight, creating 3 Advisory Committees: CCPA for the Audit Profession, CCAP for access to the profession and TAC for technical auditing issues.

The Netherlands and the AFM: The *Autoriteit Financiële Markten* (AFM) is the Dutch Financial Markets Authority that is responsible for supervising the Dutch financial system since March 2002. This public body is responsible, among other issues, for the supervision of financial information and its audit. The objective of the AFM is aimed at maintaining an organised, transparent, and sustainable financial market. Since 2006, the Audit Firms Supervision Act (*Wet toezicht accountantsorganisaties*) established the AFM as the authority responsible for supervising the audit profession: giving licenses to audit firms, maintaining the registry of auditors, overseeing the compliance with regulations, and supervising the permanent training of auditors. The AFM also carries out disciplinary and sanctioning functions.

3.2. EU - Scandinavian countries (EU-Sca)

Denmark and the Erhvervsstyrelsen: The *Erhvervsstyrelsen* is the Danish Business Authority (DBA), formerly Danish Commerce and Companies Agency, created in 2005 and renamed in 2012. This agency of the Ministry of Business has a broad portfolio of functions. It is organized in two large divisions under the same board of directors. The 'Business Solutions and Digitization' division provides companies with digitization and innovation services. The 'Business Development and Regulation' division provides support for business development, international relations, regulates business activity and accounting and auditing responsibilities. In this division we find the *Revisorrådet*, which is the Danish Audit Committee that assumes the functions of supervision and disciplinary regime of auditors and audit firms, as established in Audit Law No. 468 of June 17, 2008. In addition, it oversees the obligations of the boards of directors and audit committees in PIEs. In 2016 the DBA became responsible for quality assurance reviews.

Finland and the AOU: The Finnish Auditor Oversight body, the *Tilintarkastusvalvonta* (AOU), is a unit within the Finnish Patent and Registration Office. The AOU was established

by the Auditing Act (1141/2015) and is responsible for controlling entry to the audit profession, the oversight mechanisms of the auditor and the quality of auditing. Professional exams in Finland are arranged by the AOU in both Finnish and Swedish with different levels: HT exams for general auditors, KHT exams for specialization in public interest entities and JHT exams for specialization on the public sector. Disciplinary decisions are taken by the Audit Board, appointed by the government.

Sweden and the Revisorsinspektionen: The former *Supervisory Board of Public Accountants - Revisorsnämnden*, RN was created in 1995, and changed its name in 2017 to the Swedish Inspectorate of Auditors (Revisorsinspektionen - RI). The RI kept the structure and scope of the former RN and is under the authority of the Ministry of Justice. The most relevant activities are the oversight of the auditing profession, including disciplinary actions, the registration of firms, professional competence development examinations and the standardization process. The RI supervises all qualified auditors and registered audit firms and all categories of audit clients.

Southern Europe countries (EU-SE)

Greece and the HAASOB: The Hellenic Accounting & Auditing Oversight Board (HAASOB) was created in 2003 (Law 3148/2003) and extended its responsibilities in 2014 (Law 4305/2014). HAASOB's structure is divided into three key areas: accounting regulation (Accounting Standards Board - SLOT), examinations and continuing education (Professional Examination Committee - EE, and Continuing Professional Development Committee - CPDC) and auditing oversight (Quality Control Board - SPE - and disciplinary board - DB).

Italy and the CONSOB: In Italy, the *Commissione Nazionale per le Società e la Borsa* (CONSOB), which is the stock exchange regulator since the Legislative Decree 216/1974, is the competent authority responsible for the oversight system of the audit profession in Italy. The *Ragioneria Generale dello Stato* (RGS) is a public institution in the Ministry of Economic and Finance, and is responsible for the oversight of non-PIEs and for the approval and registration of auditors in Italy, controlled and supervised by the CONSOB (Legislative Decree 58/1998; Auditing Act, 39/2010). CONSOB is responsible for the oversight of the audit profession, which applies directly to PIE auditors.

Portugal and the CMVM: The Securities and Exchange Commission (*Comissão do Mercado de Valores Mobiliários - CMVM*) is, since 2015 (Law 148/2015), the ultimate responsible institution for the public oversight of the audit profession in Portugal, incorporating in its structure the responsibilities of the former National Auditing Oversight Council (*Conselho Nacional de Supervisão de Auditoria - CNSA*) created in 2008 after the enactment of [Directive 2006/43/EC](#). Quality controls and disciplinary sanctions are carried out by the CMVM in collaboration with the Quality Control Commission (*Comissão de Controlo de Qualidade*) of the Institute of Chartered Accountants of Portugal (*Colegio de Contadores de Contas Portugueses - OROC*).

Spain and the ICAC: The responsibilities of the public oversight system in Spain rest on the *Instituto de Contabilidad y Auditoría de Cuentas* (ICAC) which is the Spanish Public Auditing and Accounting Standards Board, whose responsibility is to regulate, supervise, investigate and discipline the audit profession in Spain since 1988 (Auditing Act 19/1988).⁹ The ICAC is a governmental organism that de-

pends on the Ministry of Economic Affairs and Digital Transition and periodically cooperates with the Spanish Professional Auditing Bodies: The *Instituto de Censores Jurados de Cuentas de España* (ICJCE) and the *Consejo General de Economistas* (REA-REGA).

EU - English-speaking countries (EU-AS)

Ireland and IAASA: The Irish Auditing & Accounting Supervisory Authority (IAASA) was established in 2006 under the Companies Auditing and Accounting Act 44/2003. Later, the Companies Act 38/2014, together with other transpositions of European Union regulations through Statutory Instruments (SIs), particularly SI #312, became the basic regulatory framework for companies, financial information and audit. The IAASA's main objectives are: (1) examination and enforcement of certain listed entities' periodic financial reporting; (2) supervision of how the PABs¹⁰ (Prescribed Accountancy Bodies) regulate and monitor their members; (3) oversight of the regulatory functions of the RABs¹¹ (Recognised Accountancy Bodies) in relation to statutory auditors; and (4) the inspection and promotion of improvements in the auditing quality of Public Interest Entities.

3.5. Non-EU countries: Australia and US

Australia and the ASIC: The Australian Securities and Investments Commission (ASIC) is the supervisor of Australia's financial and consumer credit markets. ASIC's vision is the development of a fair, strong and efficient financial system for all Australians. To this end, its mission is focused on providing financial information in an efficient and accessible way to make it easier to do business. ASIC is an autonomous public body created in 1991, currently regulated by the *Australian Securities and Investments Commission Act* (2001) and the *2001 Corporations Act*, whose activity is organized in four main areas: Financial Services, Markets (where financial reporting and audit oversight competences are allocated), Wealth Management and Enforcement.

The USA and the [PCAOB]: The Public Company Accounting Oversight Board (PCAOB) is a non-profit entity established by Congress to oversee the audits of listed companies and financial intermediaries (brokers and dealers). Its objective is to guarantee relevant, accurate, and independent audit reports to protect investors' interests and the public interest. The PCAOB was created by the Sarbanes-Oxley Act in 2002 and, for the first time in the history of the USA, required the auditing firms of listed companies to undergo independent supervision (the profession having previously been self-regulated). Despite being an independent body, it is regulated and supervised by the Securities and Exchange Commission (SEC).

44/2002 and, more recently, by the new Auditing Act 12/2010.

¹⁰Prescribed Accountancy Bodies (PABs) are professional accounting bodies in Ireland that offer access to the audit profession. In Ireland there are nine PABs: Association of Chartered Certified Accountants (ACCA); Association of International Accountants (AIA); Chartered Institute of Management Accountants (CIMA); Chartered Institute of Public Finance and Accountancy (CIPFA); Institute of Chartered Accountants in England & Wales (ICAEW); Institute of Chartered Accountants in Ireland (ICAI); Institute of Chartered Accountants of Scotland (ICAS); Institute of Certified Public Accountants in Ireland (CPA Ireland); and Institute of Incorporated Public Accountants (IIPA).

¹¹Recognized Accountancy Bodies (RABs) are those PABs that authorize their members to issue audit reports. There are six RABs in Ireland: ACCA, ICAEW, ICAI, ICAS, CPA Ireland and IIPA.

⁹In Spain, Auditing Act 19/1988 was superseded by Financial Act

The UK and the FRC: The Financial Reporting Council (FRC) was created in 1990 (FRC, 1991). Since the enactment of the Companies Act (2004), FRC is the primary responsible body for the public oversight in the UK. Before that, the audit profession was self-regulated by: (1) recognized qualifying bodies (RQB), regulating auditors and (2) recognized supervisory bodies (RSB) regulating audit firms. These professional bodies are: (1) The Association of Chartered Certified Accountants (ACCA), (2) The Institute of Chartered Accountants in England and Wales (ICAEW), (3) The Institute of Chartered Accountants of Ireland (ICAI), (4) The Institute of Chartered Accountants of Scotland (ICAS), (5) The Association of Authorized Public Accountants (AAPA), (6) The Association of International Accountants (AIA) and (7) The Chartered Institute of Public Finance and Accountancy (CIPFA). The ACCA, ICAEW, ICAI and the ICAS are all RSB and RQB; the AAPA is only RSB, and the AIA and the CIPFA are only RQB. Each professional body regulates its members on matters related to audit regulation, supervision and discipline. Since 2004, the current activities of all RSBs and RQBs are also supervised by the FRC. In 2018, an independent review of the FRC was commissioned by the UK government and as a result, the FRC will transition into a new organization, ARGA (the Audit, Reporting and Governance Authority), and the government is undergoing a process of consulting and implementing recommendations stemming from the review.