

PRESS RELEASE

BETTER FINANCE Concerned About the European Commission Abandoning the Necessary and Urgent Audit Reform Announced in November 2021

5 December 2022 – In June 2020, the Wirecard scandal unraveled, generating unprecedented retail investor detriment worth about €20 billion. BETTER FINANCE reacted, labelling it an “[*outrageous case of corporate governance, external auditing and supervisory failures*](#)”¹ and calling for an urgent reform of EU Audit Rules.

The responsibility and liability of the external auditor is at stake. More than two years ago the fraud was first brought to light by journalists and whistle-blowers, instead of the auditors whose responsibility it was to do so. Since then, no indemnification has been received by, or even proposed to, the victims so far.

This is why the European Commission (EC) announced the roadmap for a regulatory reform of the EU Audit Rules and sent out a public consultation about improved corporate reporting requirements in November 2021.²

In particular, it was considering moving to a joint or shared audit for large corporations. But since then, the reform does not seem to have progressed, and BETTER FINANCE is very concerned that this major reform that would go a long way towards improving investor trust, is being watered down or, worse, abandoned.

Restoring investor trust – which has been badly shaken - is crucial to foster retail investments into capital markets. Audit reform is therefore a key initiative towards ensuring the success of the Capital Markets Union Plan.

BETTER FINANCE will ask the EU Commissioner for Financial Services, Financial Stability, and Capital Markets Union to maintain, and if possible, speed up, the anticipated Audit Reform.

In short, BETTER FINANCE’s proposals concern, among others:

- introducing joint or shared audits of public interest entities,
- strengthening and clarifying the liability and accountability of auditors,
- improving the protection of whistle-blowers,
- breaking the current quasi-oligopoly of the statutory audit market,
- strengthening the auditors’ oversight and supervision.

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¹ See BETTER FINANCE Press Release available here: <https://betterfinance.eu/wp-content/uploads/PR-Wirecard-An-outrageous-case-of-accumulated-failures-01072020.pdf>.

² See BETTER FINANCE’s response here: <https://betterfinance.eu/publication/better-finance-response-to-the-ec-public-consultation-on-strengthening-the-quality-of-corporate-reporting-and-its-enforcement/>.