

REPORT ON MONITORING THE MARKET FOR AUDIT SERVICES PROVIDED BY STATUTORY AUDITORS AND AUDIT FIRMS AND THE ACTIVITIES OF AUDIT COMMITTEES FOR 2021

Warsaw, 2022

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Introduction

About the Agency

The Polish Agency for Audit Oversight first started its operational activities at the beginning of 2020. It is a competent authority as defined in Art. 2 par. 10 of Directive 2006/43/EC¹. **The Agency has been established to improve the quality and reliability of financial reporting in order to increase the safety of business trading and for its protection.** As a state legal person, supervised by the Minister of Finance, PANA exercises public oversight over statutory auditors, audit firms operating in Poland and the professional self-government of auditors. **The Agency Council**, consisting of representatives from a wide range of environments, oversees PANA's activities on a current basis and ensures that they are undertaken in the public interest.

Amongst other things, **PANA's independence** is related to anchoring its legal activities in accordance with the Auditing Act and in EU laws and regulations as well as its funding from fees and levies paid by audit firms. PANA ensures that statutory auditors properly perform audits, other assurance services and related services.

The main principles of the Agency's operations are the following:

- acting in the public interest and not in any particular interest (e.g. that of only one sector or professional group),
- education, dialogue and communication with all parties interested in improving the reliability of financial reporting,
- scope and tools of activities strictly defined by law,
- systemic (long-term) and ad hoc action (in response to emerging threats): prevention, monitoring, control, stimulating change (including juridical changes)²,
- ensuring fair and clear operating conditions for all statutory auditors and audit firms,
- ensuring transparency and clarity where possible (while protecting all confidential information from disclosure).

About this report

The preparation of this report is the Agency's obligation, as regulated by EU Regulation No 537/2014³ on specific requirements regarding statutory audit of public-interest entities. At least every three years,

¹ Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC

² Being proactive within the limits of the applicable law in order to be able to react early to signals from the market about possible negative trends, difficulties or hindrances to the provision of high-quality services by statutory auditors and audit firms

³ Regulation No 537/2014 of The European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

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competent authorities in EU Member States should compile a **market monitoring report** and submit it to CEAOB, ESMA, EBA, EIOPA and the European Commission⁴.

Article 27 of the Regulation states in its paragraph 1 that:

1. The competent authorities designated under Article 20(1) and the European Competition Network⁵ (ECN), as appropriate, shall regularly monitor the developments in the market for providing statutory audit services to public-interest entities and shall in particular assess the following:

- a) the risks arising from high incidence of quality deficiencies of a statutory auditor or an audit firm, including systematic deficiencies within an audit firm network⁶, which may lead to the demise of any audit firm, the disruption in the provision of statutory audit services whether in a specific sector or across sectors, the further accumulation of risk of audit deficiencies and the impact on the overall stability of the financial sector*
- b) the market concentration levels, including in specific sectors;*
- c) the performance of audit committees;*
- d) the need to adopt measures to mitigate the risks referred to in point (a).*

The practice adopted in the European Union is that such reports should be prepared **once every three years** and contain data for the previous year. Since this obligation was established, two reports on monitoring the national market for services provided by statutory auditors and audit firms and the activities of audit committees have been prepared: in 2016⁷ and in 2019⁸ (for 2015 and 2018 respectively). They were prepared by the Audit Oversight Commission (the predecessor of the Agency). The present document is therefore the third edition of the Report.

⁴ See pages 6-7 for a list of abbreviations used in the report.

⁵ The European Competition Network (ECN) consists of the European Commission and national competition authorities, which work together to ensure an effective division of tasks and an efficient and consistent application of the EU competition rules.

⁶ A network is defined as a structure (a) that has the purpose of cooperation and to which the auditor or audit firm belongs, and (b) that has the purpose of profit or cost sharing or that operates under common ownership, or that has a common system of control or common management, or that has common quality control policies and procedures, or that has a common business strategy, or that uses a common label or a significant portion of resources.

⁷ A report on developments in the market for the provision of statutory audit services to public interest entities published in 2016 (in Polish) can be found at:

https://mf-arch2.mf.gov.pl/c/document_library/get_file?uuid=e90365eb-fb34-4a5e-8eb8-0f3d567a6dc9&groupId=764034.

⁸ The auditor and audit firm market monitoring report and audit committee activities published in 2019 (in Polish) can be downloaded at: <https://www.gov.pl/web/finanse/sprawozdania-z-monitorowania-rynku>.

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This report is based on the methodology and indicators developed together with other European audit oversight bodies within the CEAOB, making the data comparable and aggregable and fit for aggregation by the European Commission at EU level. However, this means that no major changes can be made, either to the content or the form of the information presented. A full assessment of the market of services provided by auditors and audit firms and the activities of audit committees in 2021 may be affected by such factors as the outcome of administrative and disciplinary proceedings not completed as of the date of this report.

The document presents what is known as key market monitoring indicators and is divided into three main parts:

- Part One, containing **indicators of market size, structure and concentration**,
- Part Two, containing **indicators of audit quality risks**,
- Part Three, containing **indicators of the activities of audit committees**.

Data on activities of audit committees was collected, developed and aggregated by the Polish Financial Supervision Authority, which oversees the activities of public interest entities.

Since the publication of the previous market monitoring report, there have been changes to the methodology and definitions of some indicators, which may impede any comparison with reports for earlier periods. Where possible, additional comparative data and supplementary explanations have been included.

List of abbreviations

Agency or PANA	Polish Agency for Audit Oversight
AML	Regulations on counteracting money laundering and terrorist financing, particularly the Act of 1 March 2018 on Counteracting Money Laundering and Terrorist Financing (Polish OJ of 2021, item 1132 with amendments)
Statutory audit	The audit of the annual consolidated financial statements of the capital group or the audit of the annual financial statements required to be performed under Article 64 of the Accounting Act of 29 September 1994 (Journal of Laws of 2021, item 217), other laws or regulations of the European Union, conducted in accordance with national auditing standards
SA	Statutory auditor
Directive 2006/43 or Directive 2006/43/EC	Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC Text with EEA relevance (OJ L.2006.157.87)
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
EIOPA	European Insurance and Occupational Pensions Authority

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AF	Audit firm
WSE	Warsaw Stock Exchange: Giełda Papierów Wartościowych w Warszawie S.A.
PIE	Public-interest entity/ entities
AC	Audit committees
EC	European Commission
CEAOB	Committee of European Auditing Oversight Bodies
PFSA	Polish Financial Supervision Authority
NSA	National Standards on Auditing (collectively), National Standard on Auditing (followed by a number – a single standard)
NSQC, NSQC 1	National Standards on Quality Control, National Standards on Quality Control 1
non-PIE	Non-public-interest entities
PCSA	Polish Chamber of Statutory Auditors
Regulation 537/2014	Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L.2014.158.77)
FS	Financial Statements
CFS	Consolidated Financial Statements
UE	European Union
Act on Statutory Auditors or AoSA	The Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Polish OJ of 2020, item 1415 with changes)
AACB	Audit Association of Cooperative Banks

Market concentration levels in Poland

Market concentration levels in Poland were presented in two cross-sections. The chapter: Structure of the market of financial statement audits presents quantitative data for the whole market, whereas in the chapter entitled: Market share of the largest participants - selected figures are shown for individual networks of audit firms, selected as the largest networks in Poland and in the European Union.

The definition of a public interest entity, according to the Act on Statutory Auditors, covers a broader catalogue of entities than the minimum set out in Article 2 point 13 of Directive 2006/43/EC, according to which *public interest entities* are:

- a) entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC,*

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- b) credit institutions as defined in point 1 of Article 1 of Directive 2013/36/EC of the European Parliament and of the Council⁹ other than those referred to in Article 2 of that Directive,*
- c) insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC.*

In the same article, the Directive also indicates the possibility for Member States to extend this catalogue to entities they consider to be of significant public interest *because of the nature of their business, their size or the number of their employees.*

Polish legislation has used this possibility and further qualified the following categories of entities as public interest entities:

- electronic money institutions and domestic payment institutions – within the meaning of the Act of 19 August 2012 on Payment Services (Dz. U. of OJ 2021, item 1907 as amended), meeting the large entity criteria,*
- open-end pension funds, non-compulsory pension funds and general pension fund companies – within the meaning of the Act of 28 August 1997 on Organisation and Operation of Pension Funds (OJ of 2020, item 105 as amended),*
- open-end investment funds, specialist open-end investment funds and closed-end investment funds – within the meaning of the Act of 17 May 2004 on Investment Funds and Management of Alternative Investment Funds (OJ of 2021, item 605, as amended),*
- fund management companies, as defined by the above mentioned Act, which at the end of a given financial year and at the end of the financial year preceding a given financial year had assets worth no less than PLN 10,000,000,000, and had no less than 30,000 registers open to participants,*
- entities conducting brokerage-related activities, which at the end of a given financial year and at the end of the financial year preceding a given financial year had on the accounts of their clients assets worth no less than PLN 10,000,000,000 or had assets worth no less than PLN 10,000,000,000 and at the same time had a minimum of 10,000 clients, excluding entities conducting operations solely within the scope of accepting and transferring instructions*

⁹ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

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*for purchase or sale of financial instruments, or within the scope of investment
counselling – within the meaning of the Act of 29 July 2005 on Trading in
Financial Instruments (OJ of 2022, item 861 and 872),*

*- savings and credit cooperatives as defined by the Act of 5 November 2009 on
Savings and Credit Cooperatives (OJ of 2021 pos. 1844 and 2140), meeting the
large entity criteria.*

Structure of the audit market

Selected data on the audit market in Poland is presented below. The data relates not only to the statutory audits of PIEs' financial statements, but also shows the market for a broader range of services provided by statutory auditors and audit firms.

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Table 1 Structure of the market as at 31/12/2021 with comparative data

No.	Category		Source	Data as at 31/12/2021 or for a calendar year ending in this day	Remarks - Observations	Data as at 31/12/2018 or for a calendar year ending in this day	Remarks - Observations	Change in value	Change as %
1	Registered Statutory Auditors (natural persons) as of 31/12/2021	1.0. Total number	Polish Chamber of Statutory Auditors	5238		6061		-823	-14%
		1.1. Of which number of practising registered statutory auditors (natural persons carrying out a statutory audit engagement)	Polish Chamber of Statutory Auditors	2745	A number of statutory auditors, who declare to the Polish Chamber of Statutory Auditors that they practise the profession, are shown	3044	This captures active statutory auditors	-299	-10%
		1.2. Of which number of practising registered statutory auditors auditing PIEs (natural persons carrying out a PIE statutory audit engagement)	Information from the Agency's databases ¹⁰	260	A number of statutory auditors, employed by audit firms auditing Public-interest	data unavailable	data unavailable	data unavailable	data unavailable

¹⁰ For indicators: 1.2, 2, 3, 5 and 7 source of information for 2018 is information from archives of Polish Financial Supervision Authority.

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					entities, are shown				
2	Registered Statutory Auditors employed by or associated as partners or otherwise with the audit firm as of 31/12/2021	2.0. Total number	Information from the Agency's databases	3329	A number of statutory auditors, employed by or associated as partners or otherwise with audit firms, are shown	3138		191	6%
3	Registered audit firms as of 31/12/2021	3.0. Total number	Information from the Agency's databases	1364		1515		-151	-10%
		3.1. Of which number of registered audit firms auditing PIEs (carrying out a PIE statutory audit engagement)	Information from the Agency's databases	67		74		-7	-9%
		3.2. Of which number of audit firms registered are recognised audit firms from other member states (in accordance with Article 3a of Directive 2006/43)	Information from the Agency's databases	0		0		no change	no change

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4	Third-country auditors registered in accordance with Article 45 as of 31/12/2021	4.0. Total number	Polish Chamber of Statutory Auditors	4		0		4	not applicable
5	Third-country audit entities registered in accordance with Article 45 as of 31/12/2021	5.0. Total number	Information from the Agency's databases	0		1		-1	-100%
6	Statutory auditors approved from another Member State, in accordance with Article 14 of Directive 2006/43 as of 31/12/2021	6.0. Total number	Polish Chamber of Statutory Auditors	113		117		-4	-3%

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7	Statutory audits	7.0. Total number of statutory audits where an opinion was issued during the calendar year 2021	Information from the Agency's databases	30125	In cases, where audits of financial statements and consolidated financial statements have been performed for an entity, each of these services has been separately identified	27936	In cases, where audits of financial statements and consolidated financial statements have been performed for an entity, each of these services has been separately identified	2189	8%
		7.1. Of which number of audit engagements performed jointly (in case of joint audit)	Information from the Agency's databases	6		2		4	200%
8	Number of PIEs as of 31/12/2021	8.0. Total number	Information developed on the basis of PFSA data	1378		1277		101	8%
		8.1. Of which listed companies (without listed banks and listed insurance companies)		374		416		-42	-10%
		8.2. Of which non-listed banks		560		568		-8	-1%

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		8.3. Of which listed banks	17	Includes: 11 banks - issuers of shares admitted to trading on a regulated market and 6 banks - issuers of bonds (of several kinds) admitted to trading on a regulated market	13	Includes only banks - issuers of shares admitted to trading on a regulated market	4	31%
		8.4. Of which non-listed insurance companies	79		59		20	34%
		8.5. Of which listed insurance companies	1	Includes an insurance company - issuer of shares admitted to trading on a regulated market	1	Includes an insurance company - issuer of shares admitted to trading on a regulated market	no change	no change
		8.6. Of which 'national PIEs' ¹¹	347		220		127	58%

¹¹ National PIEs are understood as entities that are not enumerated in the definition of PIE in Directive 2006/43, but have been defined as PIEs in the national law of a Member State due to the nature of their activities, their size or the number of employees. In Poland, this category includes: electronic money institutions and domestic payment institutions, open-end pension funds, non-compulsory pension funds and general pension fund companies, open-end investment funds, specialist open-end investment funds and closed-end investment funds, fund management companies which meet specific criteria, entities conducting brokerage-related activities which meet specific criteria, savings and credit cooperatives which meet specific criteria.

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Multi-year data

In order to illustrate the changes taking place in the market in more detail, the development of selected metrics at the end of 2021 compared to the previous periods is discussed and presented sequentially.

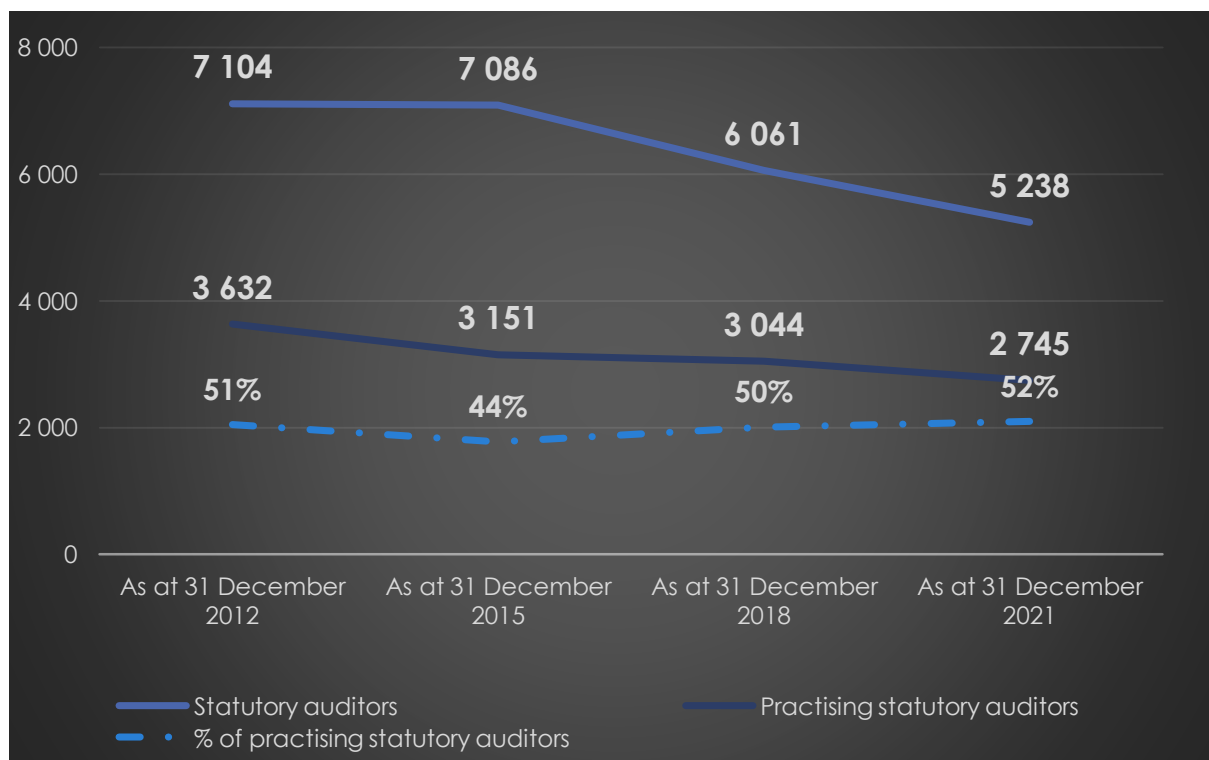
Number of Statutory Auditors

At the end of 2021, there were 5,238 statutory auditors registered with the Polish Chamber of Statutory Auditors' register. Among those holding the title of statutory auditor, the number of persons declaring that they practice the profession amounted to 2,745, accounting for more than half (52%) of the total.

Observing the development of the number of statutory auditors over the past years, a downward trend can be observed. The total number of statutory auditors at the end of 2021 compared to the end of 2018 decreased by 823 people, i.e. by 14%, over three years, and compared to the end of 2012, i.e. over 9 years, the figure decreased by 1,866 people or 26%. In recent years, most entries were deleted from the register at the auditor's own request (in 2021, this accounted for 86% of legally binding deletions)

Practicing auditors are also less numerous at the end of 2021 than they were in previous years. However, for this subgroup, the decrease is smaller than for auditors as a whole at 10% compared to the end of 2018 and 24% compared to the end of 2012. This regularity is evident, among other things, in the share of practicing auditors among total auditors, which has been increasing since the end of 2015. The above-mentioned regularities are shown in Chart 1.

Chart 1 Number of auditors, number of practising auditors and share of practising auditors among total auditors in Poland in selected years



Source: own work based on: data of the National Council of Statutory Auditors (for 2021), archival data of the Audit Oversight Commission (for 2018, 2015 and 2012)

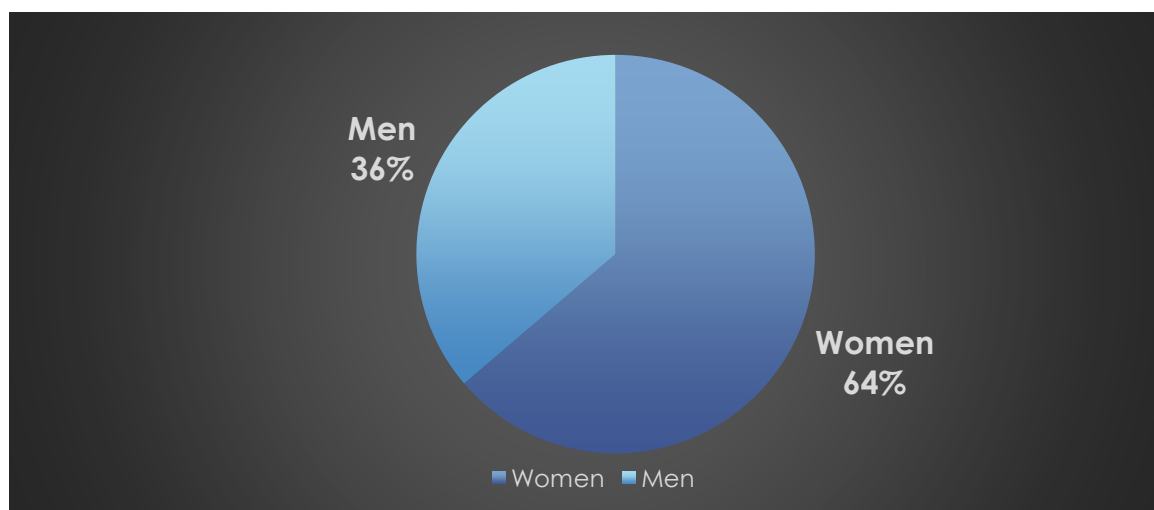
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The Agency is looking closely at trends in the number of new statutory auditors entering the profession as well as the frequency of and reasons for leaving the profession. At present, the decline in the total number of auditors does not appear to have had a negative impact on the availability of audit services. This could be attributed to such factors as the increasing use of automated audit support tools and techniques as well as the increased participation of experts and other individuals in teams led by statutory auditors (which is particularly evident in large network audit firms).

In 2021, PANA representatives have entered into a working team set up by the Ministry of Finance to assess the possibilities of facilitating access to the audit profession without adversely affecting the education of candidates or the security of economic turnover. One of the research areas advocated by the Agency is an attempt to determine the demand for chartered accountants in a digital economy with regard to the needs of all stakeholders. Amongst other things, this is to be done by interviewing and surveying entrepreneurs, investors, audit firms, statutory auditors, current and potential statutory auditor candidates, supervisory authorities, universities, etc.

The majority of statutory auditors registered with the Polish Chamber of Statutory Auditors are women, who at the end of 2021 accounted for nearly 64% of the members of the statutory auditors' self-government. This is illustrated in Chart 2. It is worth noting that over the years the feminization rate of the auditing profession has only been subject to slight fluctuations.

Chart 2 Share of men and women among statutory auditors in Poland as at the end of 2021



Source: own work based on the National Council of Statutory Auditors' data

Audit firms

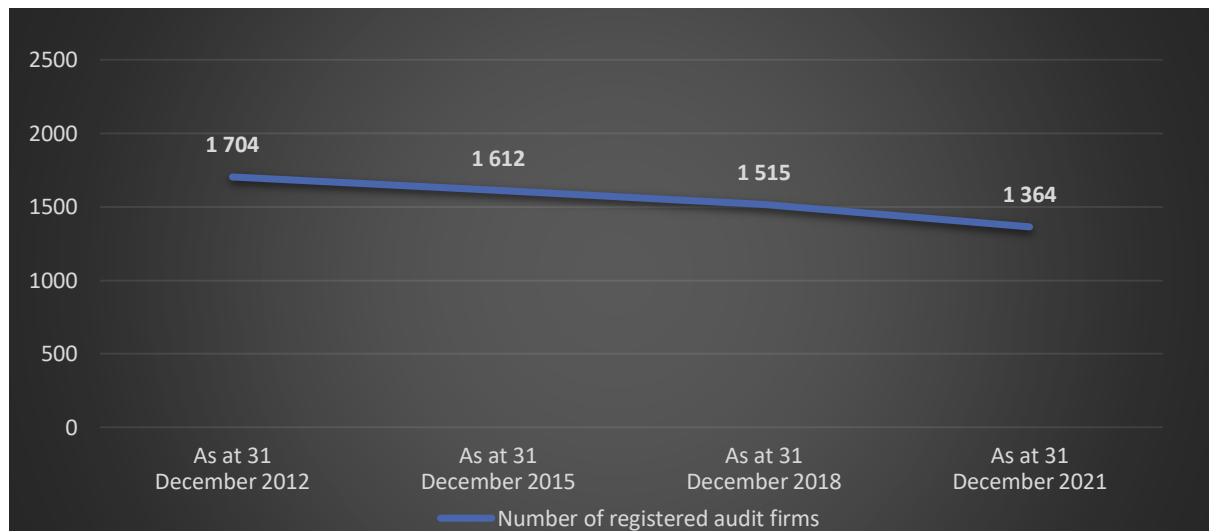
Number of audit firms

At the end of 2021, there were 1,364 firms on the list of audit firms maintained by the Agency. The vast majority of these were conducted in one of two legal forms, i.e., a business continued by the auditor in his or her own name and for his or her own account or a capital company; although the former remains predominant, it has suffered the greatest decline in numbers in recent years. Audit firms conducted in other forms, permitted under Article 46 of the Act on Statutory Auditors, collectively accounted for only a few percent of all audit firms on the list at the end of 2021.

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The decrease in the overall number of audit firms over the last 9 years was 340 firms, of which 151 firms (10%) ceased to operate within the last 3 years, i.e. from the end of 2018 to the end of 2021. This data is illustrated in Chart 3.

Chart 3 Number of audit firms registered in Poland in given years



Source: own work based on: data of the National Council of Statutory Auditors (for 2021), archival data of the Audit Oversight Commission (for 2018, 2015 and 2012)

Revenues of audit firms

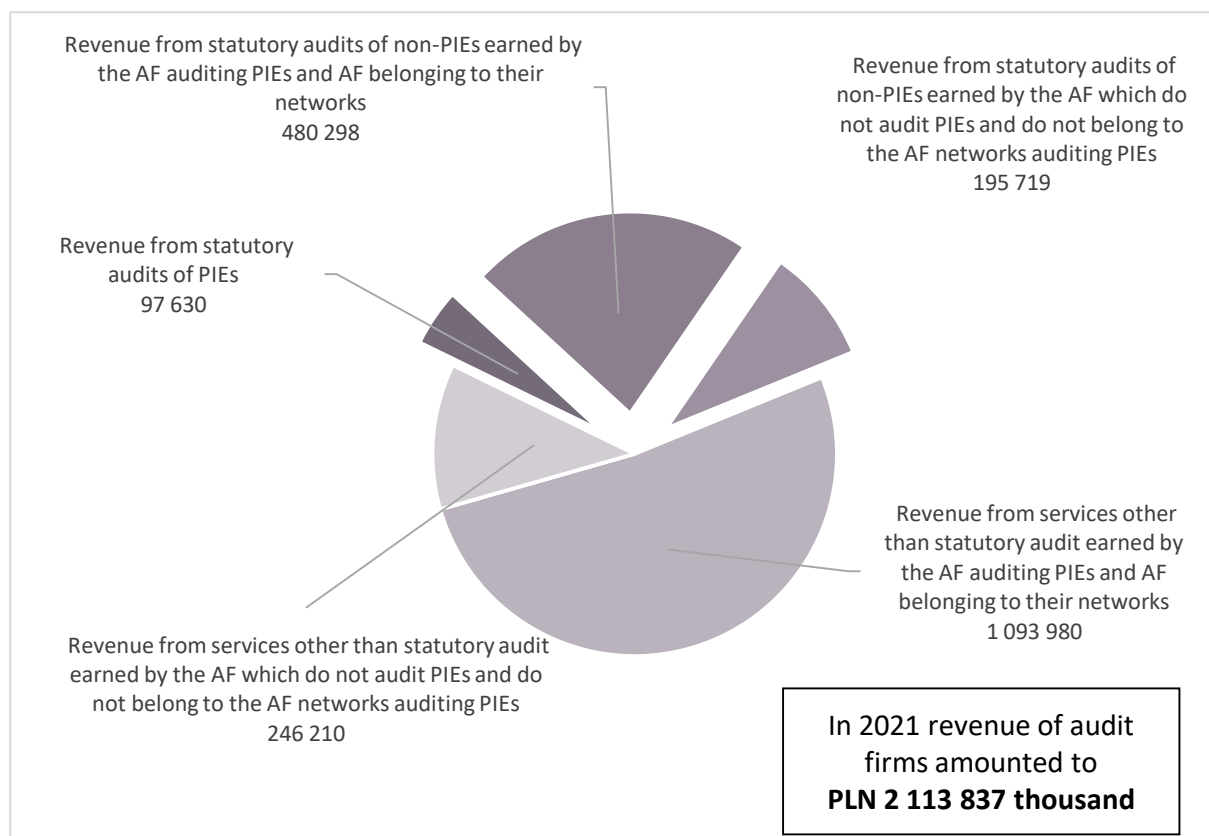
The total revenue of all audit firms from audit services and other services referred to in Article 47(2) of the Act on Statutory Auditors amounted to PLN 2,113,837 thousand in 2021. Revenue from statutory audits (both PIEs and non-PIEs) together accounted for 37% of audit firms' revenue in Poland in 2021 and amounted to PLN 773,647 thousand. Of this amount, PLN 577,928 thousand (nearly 75%) was attained by firms auditing PIEs and their networks while PLN 195,719 thousand was earned from statutory audits by companies not auditing PIEs or belonging to joint networks with audit firms auditing PIEs. Revenues from other types of services provided by all audit firms during the same period amounted to PLN 1,340,190 thousand, including PLN 1,093,980 thousand attributable to companies auditing PIEs and their networks, while PLN 246,210 thousand was generated by audit firms not auditing PIEs or belonging to joint networks with audit firms auditing PIEs. This data is illustrated in Chart 4.

Analysing in more detail the revenues of those audit firms which perform statutory audits of PIEs and audit firms belonging to joint networks with them - in 2021 they amounted to PLN 1 671 908 thousand. Revenues from statutory audits (PIEs and non-PIEs) accounted for 35% of this amount in 2021 (amounting to PLN 577,928 thousand), and other categories of revenues of this group of audit firms (i.e. revenues from non-audit audit services, from related services and from other services indicated in the Act on Statutory Auditors) - 65%, amounting in total to PLN 1,093,980 thousand. One third of the revenues of audit firms auditing PIEs and their networks from non-audit services included revenues from such services

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provided to entities which were also audited by the same audit firm¹², while 66% consisted of revenues from other services provided to other entities.

Chart 4 Revenue structure of audit firms (including auditing PIEs) in Poland in 2021, in thousands of PLN



Source: Own work based on annual reports filed by audit firms for 2021, data collected on 12 and 15/04/2022 and 11/05/2022.

¹² It is worth noting that with the aim to ensure the independence of statutory auditors and audit firms, both the Act on Statutory Auditors (Article 136) and the Regulation 537/2014 (Article 5) include limitation of the types of services that audit firms are allowed to provide to the entities they audit. Additionally, in case of providing any such non-audit services to a PIE audit client, their provision is subject to further restrictions.

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Market share of key players

The table on the following page is based on the list of the ten largest European networks of audit firms auditing the PIEs identified by CEAOB (these are, in alphabetical order: Baker Tilly, BDO, Deloitte, EY, Grant Thornton, KPMG, Mazars, Nexia, PwC and RSM). This list has been modified comparing to that published in 2019 due to changes in the market shares of various networks. In addition, in order to adapt it to national conditions, the list has been extended by an entity whose revenues from statutory audits of financial statements of PIEs exceed 5% of the total revenues for statutory audits of PIEs of firms auditing PIEs in Poland. This entity is the Franciszek Stefczyk Audit Association of Cooperative Banks in Warsaw. One audit firm belonging to the Baker Tilly network was registered on the list of audit firms maintained by PANA but did not audit financial statements of PIEs in 2021 and has therefore been removed from the table.

The subject composition of each of the largest networks included entities auditing the PIE in 2021 together with other audit firms belonging to the network and operating in Poland, regardless of whether these other firms audited the financial statements of the PIE or not. However, entities operating under a given brand that are not audit firms on the list maintained by PANA were not included, which is in line with KEONA methodology.

When analysing the data in the table, please note that as at 31 December 2021:

1. The BDO network consisted of 2 audit firms registered in Poland: BDO Spółka z ograniczoną odpowiedzialnością and BDO spółka z ograniczoną odpowiedzialnością spółka komandytowa.
2. The EY network consisted of 5 audit firms registered in Poland: Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa, Ernst & Young Usługi Finansowe Audyt spółka z ograniczoną odpowiedzialnością, Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością, Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Doradztwo Podatkowe spółka komandytowa and Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Finance spółka komandytowa.
3. The Deloitte network consisted of 2 audit firms registered in Poland: Deloitte Audyt spółka z ograniczoną odpowiedzialnością and Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa.
4. The Grant Thornton network comprised 4 audit firms registered in Poland: Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością spółka komandytowa, Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością spółka komandytowa, Grant Thornton Frąckowiak Spółka z ograniczoną odpowiedzialnością and Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością.
5. The KPMG network consisted of 3 audit firms registered in Poland: KPMG Audyt Services Spółka z ograniczoną odpowiedzialnością, KPMG Audyt Spółka z ograniczoną odpowiedzialnością and KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa.
6. The Mazars network consisted of 2 audit firms registered in Poland: Mazars Audyt Spółka z ograniczoną odpowiedzialnością and Mazars Expertise Spółka z ograniczoną odpowiedzialnością.
7. The Nexia network comprised 3 audit firms registered in Poland: Advantim Spółka z ograniczoną odpowiedzialnością Audit spółka komandytowa, Pro Audit Kancelaria Biegłych Rewidentów Spółka z ograniczoną odpowiedzialnością and Advantim spółka z ograniczoną odpowiedzialnością.
8. The PwC network consisted of 3 audit firms registered in Poland: PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt spółka komandytowa, PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością, PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa.
9. The RSM network consisted of 2 audit firms registered in Poland RSM Poland Spółka z ograniczoną odpowiedzialnością spółka komandytowa and RSM Poland Spółka z ograniczoną odpowiedzialnością.

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Table 2 Market shares of key market players

			BDO	EY	Deloitte	Grant Thornton	KPMG	Mazars	Nexia	PwC	RSM	F. Stefczyk Audit Association of Cooperative Banks in Warsaw	Remaining market share (aggregated) <i>National authorities can add the remaining additional data in an aggregated manner to get to 100 percent (including all legal entities and statutory auditors)</i>	Total (100%) ¹³ <i>This column corresponds to the addition, for each indicator, of the data provided for each network and the remaining market share</i>	Remarks - Observations
1	Registered statutory auditors employed by or associated as partners or otherwise with the network as of 31/12/2021	1.0. Total number	25	84	59	22	114	20	23	92	6	14	2 869	3 329	Data in the column "Total (100%)" corresponds to all of the market (including PIE and non-PIE)

¹³ We would like to draw your attention to the fact that in regard to certain rows of the table, the column "Total (100%)" presents the data for the entire market for audit firms, i.e. for PIE and non- PIE, and for other rows of the table, only for the market of audit firms auditing PIE and their networks. This is indicated in the column "Remarks - Observations" or indicated by the name of the indicator. This approach is in line with the CEA OB methodology.

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2	Statutory audits	2.0. Total number of statutory audit opinions issued during the calendar year 2021	779	1276	970	782	1242	334	169	1733	84	339	22 417	30 125	Data in the column "Total (100%)" corresponds to all of the market (including PIE and non-PIE)
		2.1. Of which number of audit engagements performed jointly (in case of joint audit)	0	0	0	0	0	0	0	0	0	0	6	6	Data in the column "Total (100%)" corresponds to all of the market (including PIE and non-PIE)
3	Statutory Audits of PIEs ¹⁴	3.0. Total number of PIE statutory audit opinions issued during the calendar year 2021	125	65	84	90	284	60	13	338	1	339	636	2 035	- including 318 audits of consolidated financial statements
		3.1. Of which number of audit opinions issued relates to joint audit	0	0	0	0	0	0	0	0	0	0	1	1	

¹⁴ In Polish law, an audit firm issues two separate opinions on the audit of financial statements and on the audit of the consolidated financial statements of the same entity.

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		3.2. Of which listed companies (without listed banks and listed insurance companies)	66	52	25	68	28	13	13	55	0	0	352	672	- including 290 audits of consolidated financial statements
		3.3. Of which non-listed banks	3	4	8	6	8	2	0	13	1	339	214	598	- including 5 audits of consolidated financial statements
		3.4. Of which listed banks	0	2	2	2	9	7	0	4	0	0	1	27	- including 12 audits of consolidated financial statements
		3.5. Of which non-listed insurance companies	16	4	4	0	14	4	0	25	0	0	10	77	- including 6 audits of consolidated financial statements
		3.6. Of which listed insurance companies	0	0	0	0	2	0	0	0	0	0	0	2	- including 1 audit of consolidated financial statements
		3.7. Of which 'national PIEs' ¹⁵	40	3	45	14	223	34	0	241	0	0	59	659	- including 4 audits of consolidated financial statements

¹⁵ National PIEs are understood as entities that are not enumerated in the definition of PIE in Directive 2006/43, but have been defined as PIEs in the national law of a Member State due to the nature of their activities, their size or the number of employees. In Poland, this category includes: electronic money institutions and domestic payment institutions, open-end pension funds, non-compulsory pension funds and general pension fund companies, open-end investment funds, specialist open-end investment funds and closed-end investment funds, fund management companies which meet specific criteria, entities conducting brokerage-related activities which meet specific criteria, savings and credit cooperatives which meet specific criteria.

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4	Turnover of the audit firm/ network auditing PIEs according to Article 13 paragraph (2) point (k) of Regulation 537/2014.	4.0. Total number	76 596	248 963	149 668	136 562	145 975	27 782	6 399	641 832	39 072	6 484	192 575	1 671 908	-Data in the column "Total (100%)" corresponds to the market of audit firms auditing PIEs and their network's audit firms; - All audit firms' revenue from financial audit activities (audits, reviews and assurance services performed by statutory auditors) in 2021 amounted to 2'113'837 ths. PLN. - Data in thousands PLN.
		4.1. Revenues from statutory audit of PIEs and entities belonging to a group of undertakings whose parent undertaking is a PIE	6 499	13 809	9 067	4 948	13 879	3 810	307	22 935	80	6 393	15 902	97 630	-As the Agency does not collect information on the capital group affiliation of audited entities, the indicator exclusively covers revenue from the audit of entities that are PIEs. -Data in the

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														column "Total (100%)" corresponds to the market of audit firms auditing PIEs and their network's audit firms. - Data in thousands PLN.
	4.2. Revenues from the statutory audit of other entities	16 821	94 579	63 995	18 922	54 928	15 991	3 193	125 415	3 893	0	82 562	480 298	- Data in the column "Total (100%)" corresponds to the market for audit firms auditing PIEs and their network's audit firms. - Data in thousands PLN.
	4.3. Revenues from permitted NAS to audited entities	17 344	113 741	42 003	18 135	45 872	1 511	840	101 631	926	64	16 874	358 941	- Data in the column "Total (100%)" corresponds to the market for audit firms auditing PIEs and their network's audit firms. - Data in thousands PLN.
	4.4. Revenues from NAS to other entities	35 931	26 833	34 604	94 558	31 295	6 471	2 058	391 850	34 174	27	77 236	735 038	- Data in the column "Total (100%)" corresponds to the market for

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																audit firms auditing PIEs and their network's audit firms. - Data in thousands PLN.
5	Firm/ Network Structure ¹⁶	Where applicable, indicate how each audit firm/network is structured in your member state (for the purposes of understandin g how revenues are presented in Indicator 4).	Integrat ed basis	Integrat ed basis	Integrat ed basis	Integrat ed basis	Integrat ed basis	Integrat ed basis	Integrat ed basis	Stand alone audit firm	Stand alone audit firm	Stand alone audit firm				

Source: Based on information from the Agency's databases, annual reports of audit firms for the year 2021 – data collected as of 10 and 11/05/2022, as well as information from the Financial Supervision Authority and the Polish Chamber of Statutory Auditors

¹⁶ Audit Firms where multiple service lines are included within the one legal entity are deemed to operate on an integrated basis. Audit Firms that operate on a standalone basis have only one service line, i.e. audit. In this instance only revenues generated within the audit firm and not the wider network are included. The Agency does not have the information about the activities of other entities than audit firms , belonging to the audit firm networks.

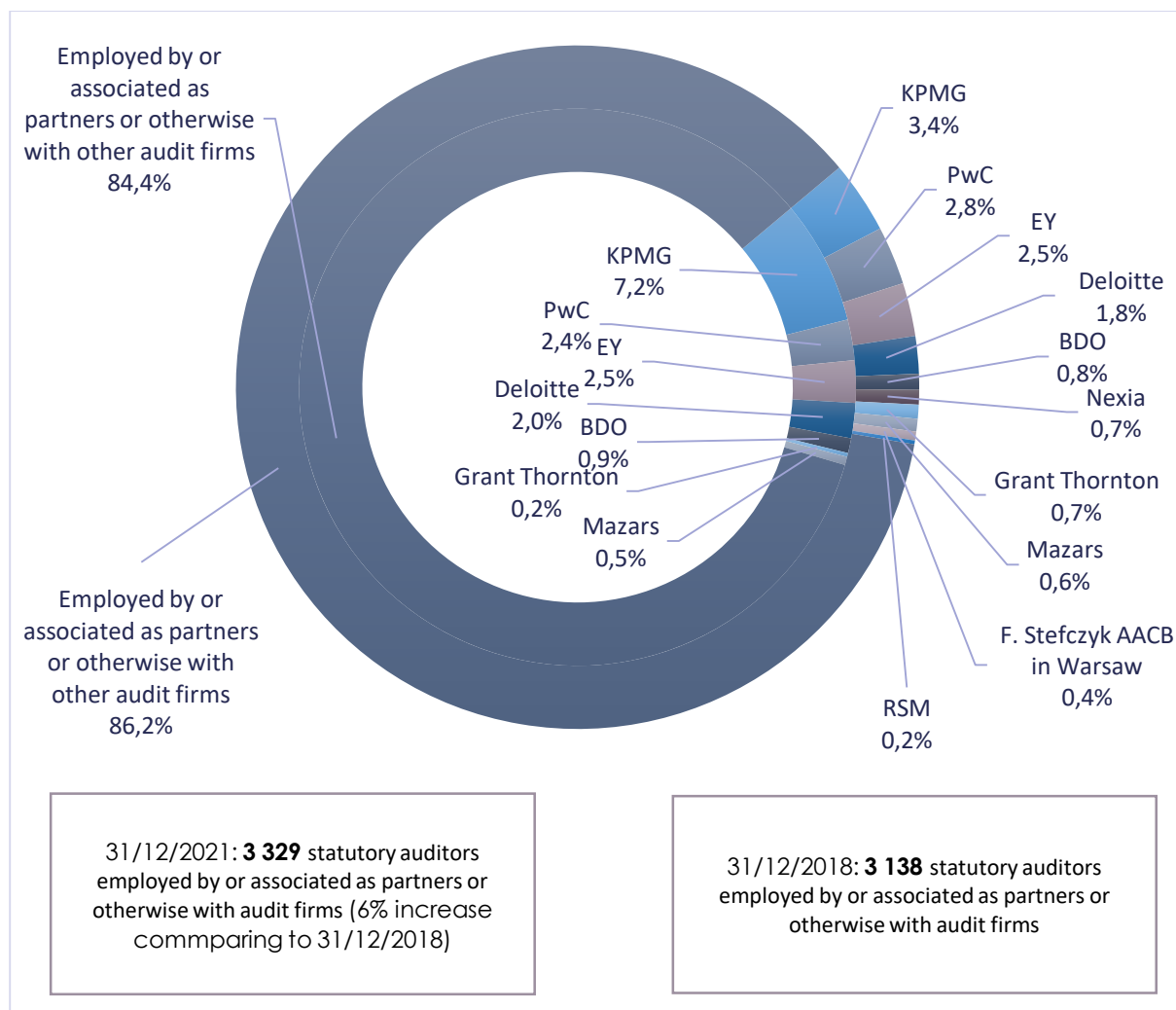
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Multiannual data

To illustrate more fully the changes taking place in the market for services provided by auditors and audit firms, we present how the selected figures developed at the end of 2021 compared to the 2018 figures presented in the previous report.

Registered statutory auditors employed by or associated as partners or otherwise with the network

Chart 5 Number of registered statutory auditors employed by or associated as partners or otherwise with the networks of audit firms at the end of 2021 and 2018



Source: own work based on: the annual reports of audit firms for the year 2021; data collected on 11/05/2022; archive data of the Audit Oversight Commission (for the year 2018)

Number of PIEs audited by each network of audit firms

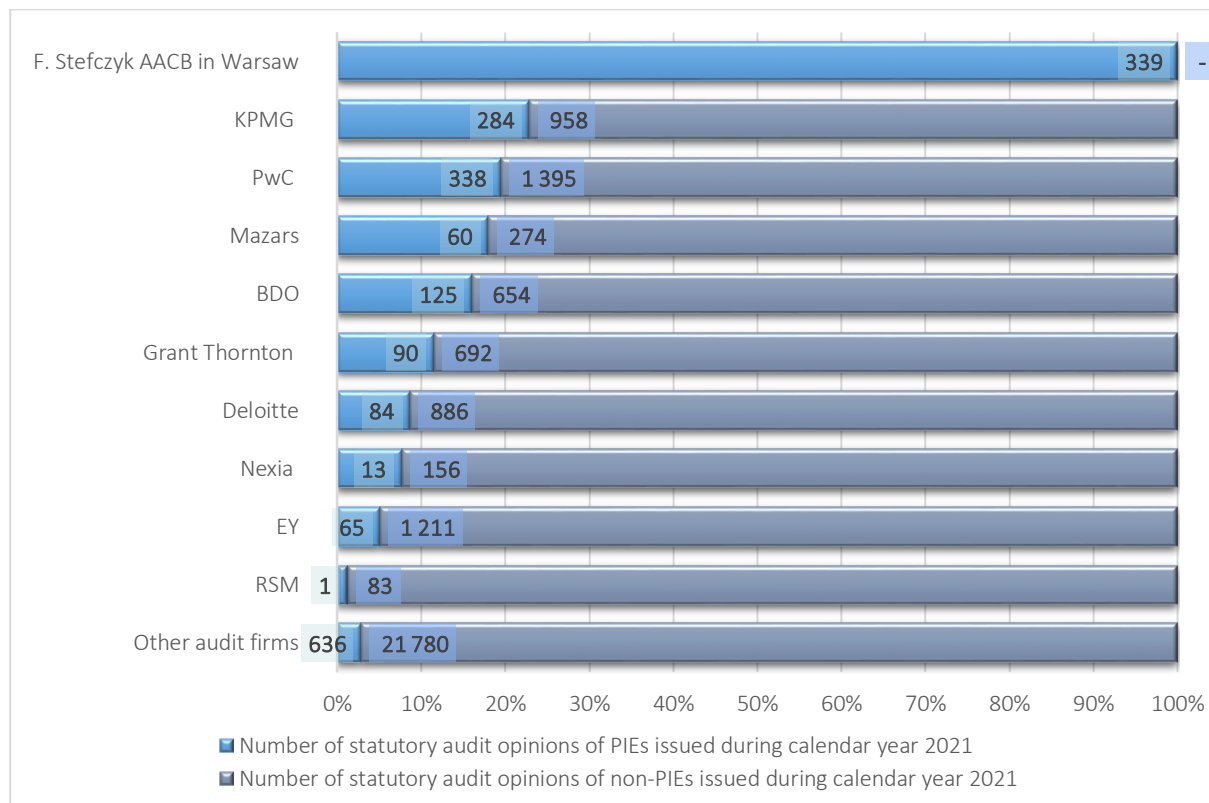
Out of all statutory audit opinions issued in Poland in 2021, 7% were opinions on the audits of financial statements and consolidated financial statements of public interest entities. There were clear differences between the largest networks auditing PIEs in the proportion of the above-mentioned opinions to all statutory audit opinions issued by a given network (between 100% and 1%).

The largest share of audit opinions on statutory audits of PIEs among the audits was held by F. Stefczyk Audit Association of Cooperative Banks in Warsaw, which is an entity of a specific structure, established to

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audit the financial statements of cooperative banks. In 2021, all audit opinions carried out by this audit association concerned public interest entities. Also, in absolute terms in 2021, this entity carried out the greatest number of audits of PIEs (339) of all audit firms. The second largest audit firm network in terms of the share of opinions issued from statutory audits was KPMG: 23% of the network's audits in 2021 were audits of PIEs (284 out of 1242 opinions issued by audit firms in this network). PwC network was ranked third with nearly 20% of PIEs audits (338 out of 1,733 opinions issued by audit firms in this network, also coming second in terms of the absolute number of PIE audit opinions issued in 2021). This relationship is shown in Chart 6.

Chart 6 Comparison of the number of statutory audit opinions of PIEs in relation to the number of opinions of non-PIEs for selected audit firm networks in 2021



Source: own work based on the annual reports of the audit firms for the year 2021, data collected on 11/05/2022; archive data of the Audit Oversight Commission (for the year 2018)

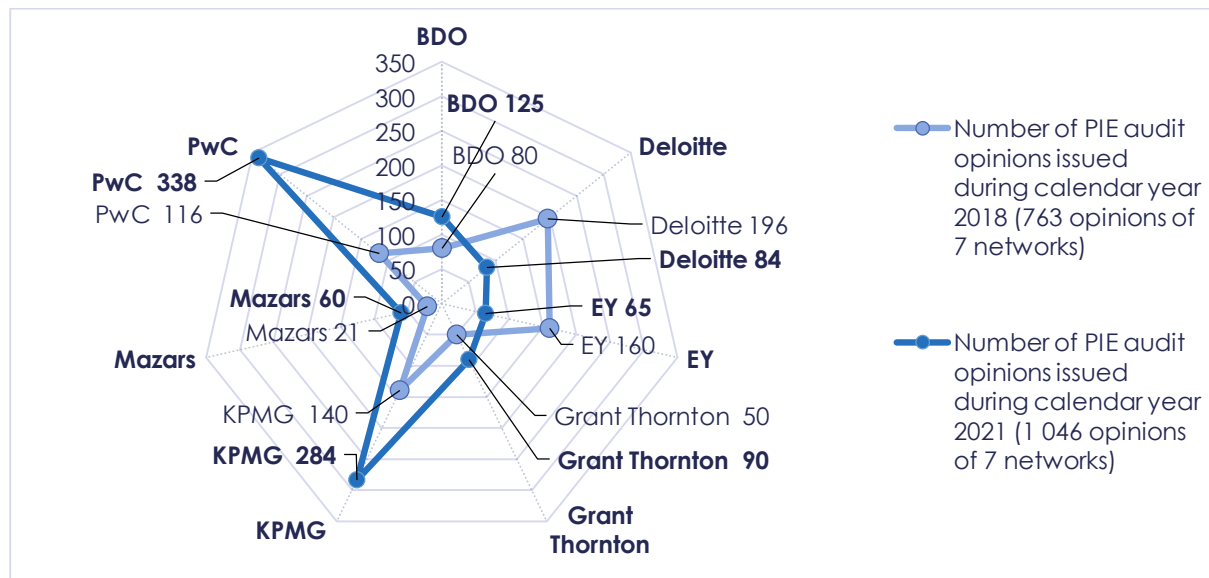
On a market-wide basis, 2,035 audit opinions were issued on the financial statements and consolidated financial statements of PIEs in 2021. Compared to 2018 volumes, there was an increase of 314 opinions (up 18%). This increase included a rise of 283 (to 1,046) in the number of audit opinions on PIEs issued in total by the seven PIE audit networks analysed (these are, in alphabetical order: BDO, Deloitte, EY, Grant Thornton, KPMG, Mazars and PwC), and of 31 - issued by other audit firms auditing PIEs. As a result of this, the share of the aforementioned seven networks in the number of audit opinions issued in 2021 for the audit of PIEs was 51%, compared to 44% for the same networks in 2018.

Comparing the change in the number of PIE audit opinions issued by each of the PIE audit networks between 2021 and 2018, the largest absolute increases can be observed for the PwC network (an increase of 222 PIE opinions) and KPMG (an increase of 144), while percentage increases can be observed for the

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PwC (191%) and Mazars networks (186%). The largest decreases in the number of PIE opinions issued were noted by the Deloitte (112 opinions or 57%) and EY (95 opinions or 59%) networks. These results are illustrated in Chart 7.

Chart 7 Comparison of the number of PIE audit opinions issued by the largest networks of audit firms in 2021 and 2018



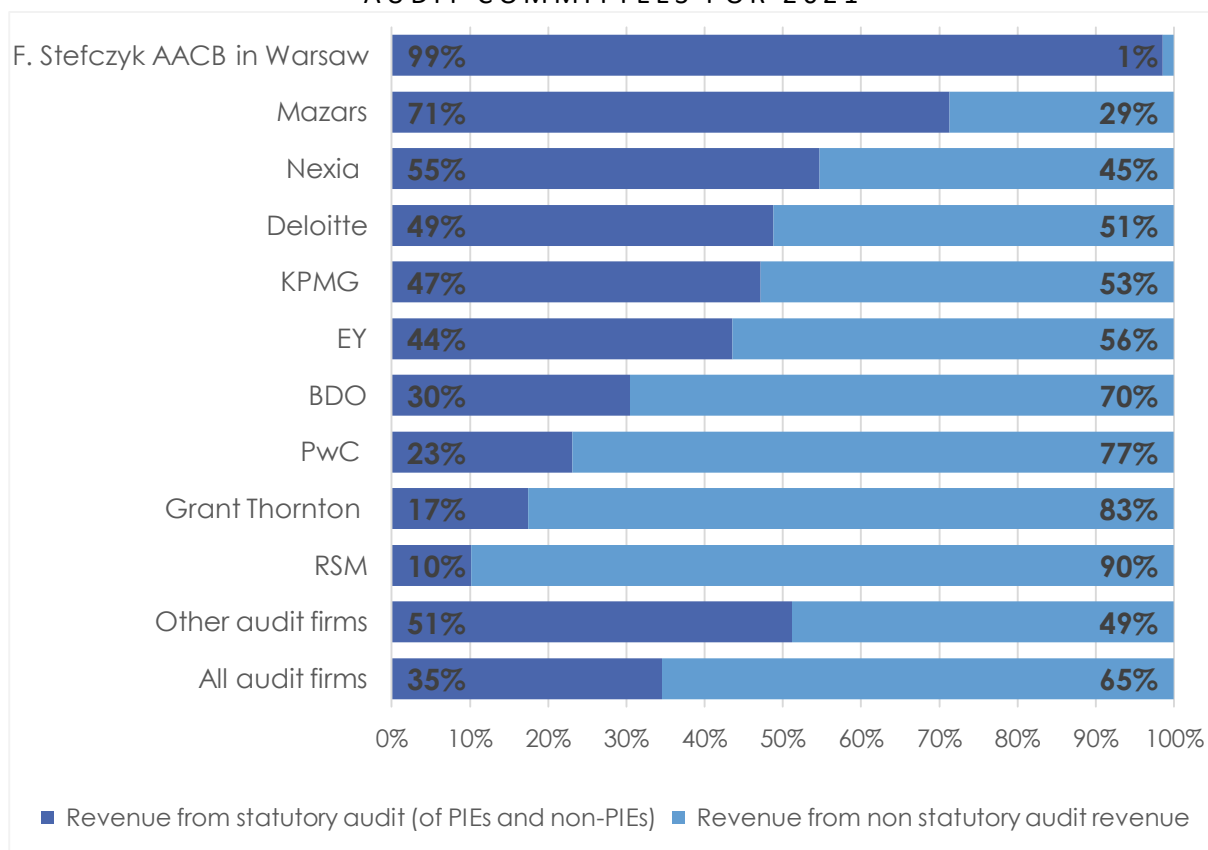
Source: own work based on: for the year 2021 the annual reports of the audit firms for the year 2021; data collected on 11/05/2022; for the year 2018 – archive data of the Audit Oversight Commission

Revenues of the largest audit firm networks from the audit of PIEs and other services

The chart below illustrates the share of statutory audit and non-statutory audit revenues for the largest audit firm networks for 2021. The share of non-audit services in 2021 was higher than that of statutory audit revenues for most networks and also above average for the audit firm market. By contrast, the revenues of the F. Stefczyk Audit Association of Cooperative Banks (of which 99% are statutory audit revenues) and the Mazars and Nexia networks (71% and 55% respectively) were different in 2021.

Chart 8 Statutory audit revenue and non statutory audit services revenue of selected networks in 2021

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Source: own work based on the annual reports of the audit firms for the year 2021, data collected on 11/05/2022

Revenue of the largest audit firm networks auditing PIE

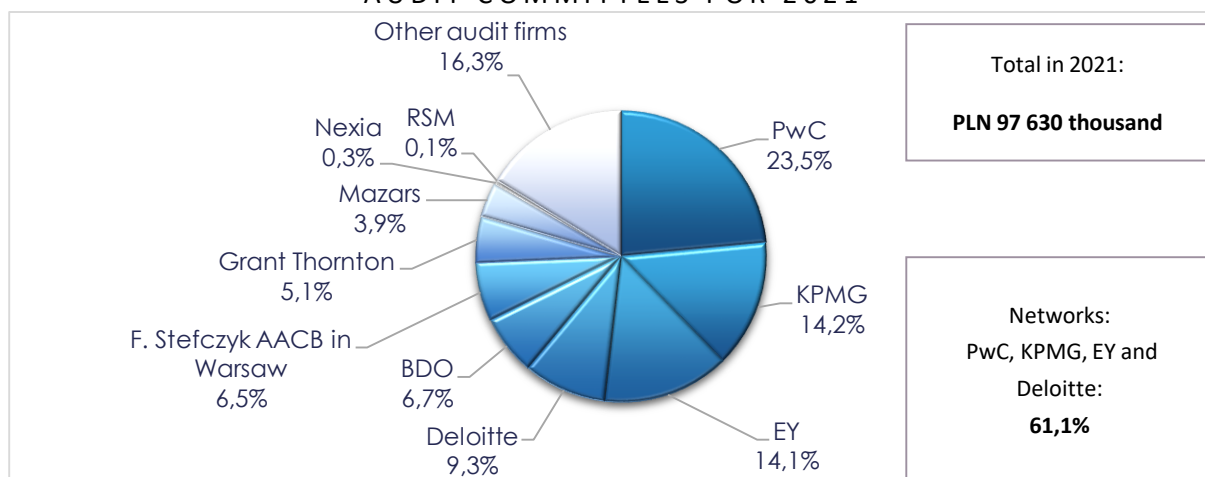
The charts below illustrate the share of selected audit firm networks in revenue from statutory audits of PIEs and non-PIEs and in revenue from non-audit services.

In 2021, revenue from statutory audits of PIEs in Poland amounted to PLN 97,630 thousand. The total share of the so-called "big four"¹⁷ firms was 61.1%. The network with the largest share of revenue in the market for this type of service was the PwC (23.5%). This is illustrated in Chart 9.

Chart 9 Share of selected networks of audit firms in revenue from statutory audits of PIEs in 2021

¹⁷ It is assumed that the world's largest audit firms (in alphabetical order), Deloitte, EY, KPMG and PwC, are the so-called "big four" of audit firms.

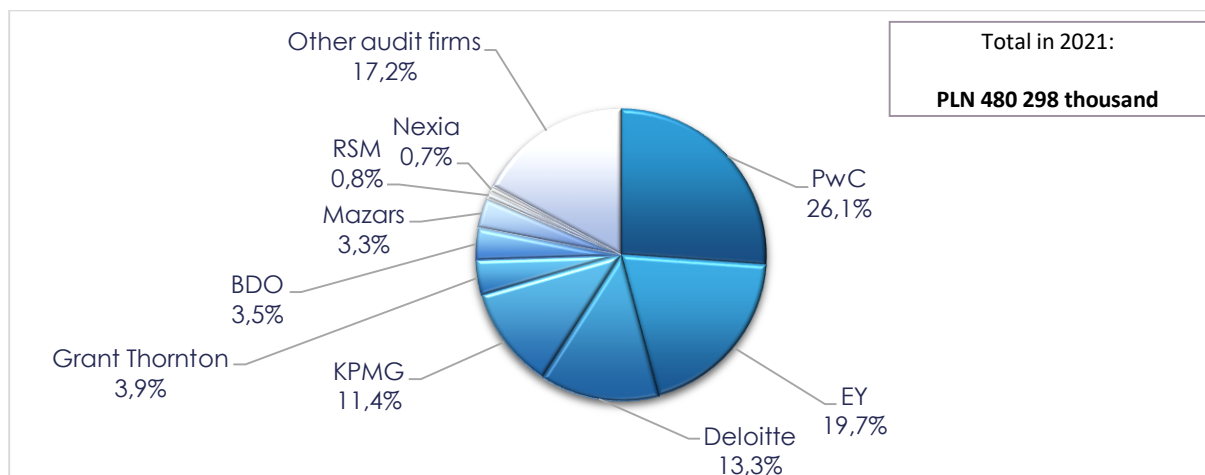
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Source: own work based on the annual reports of the audit firms for the year 2021, data collected on 11/05/2022

In 2021, revenues from statutory audits of non-PIE in Poland amounted to PLN 480,298 thousand. The total share of the so-called 'big four' firms was 70.6%. The revenue of the PwC network exceeds ¼ of the market share, while EY (19.7%), Deloitte (13.3%) and KPMG (11.4%) also had a share of over 10%. This is illustrated in Chart 10.

Chart 10 Share of selected networks of audit firms in revenue from statutory audits of non-PIEs in 2021

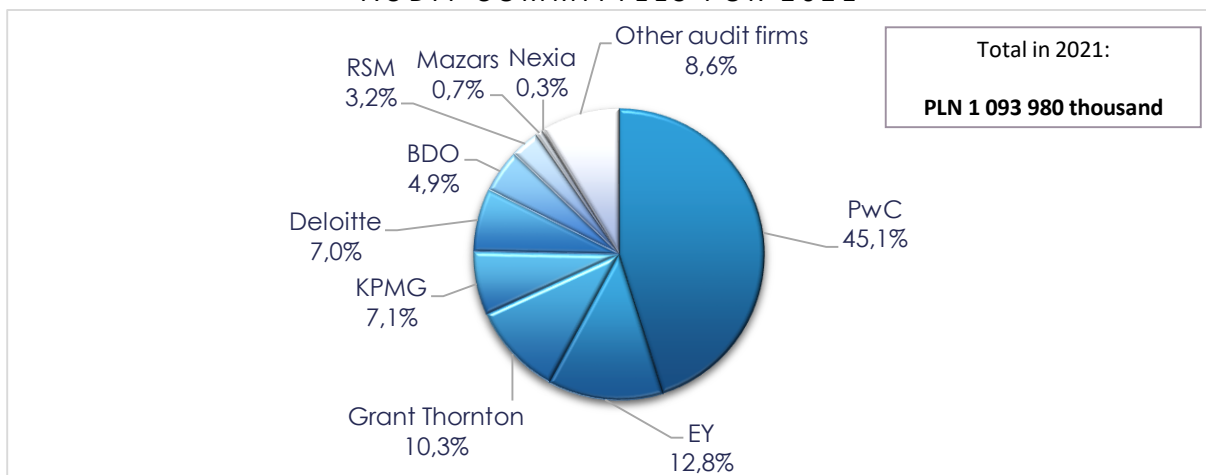


Source: own work based on the annual reports of the audit firms for the year 2021, data collected on 11/05/2022

In 2021, audit firms auditing (among others) PIEs in Poland generated a total of PLN 1,093,980 thousand in revenue from non-statutory audit services. What is particularly noteworthy is the PwC network's relatively high share, which exceeds 45% of the total market. EY (12.8%) and Grant Thornton (10.3%) also had shares of over 10% in this category of revenue. This is illustrated in Chart 11.

Chart 11 Share of selected networks of audit firms in revenue from statutory audits of non-PIEs in 2021

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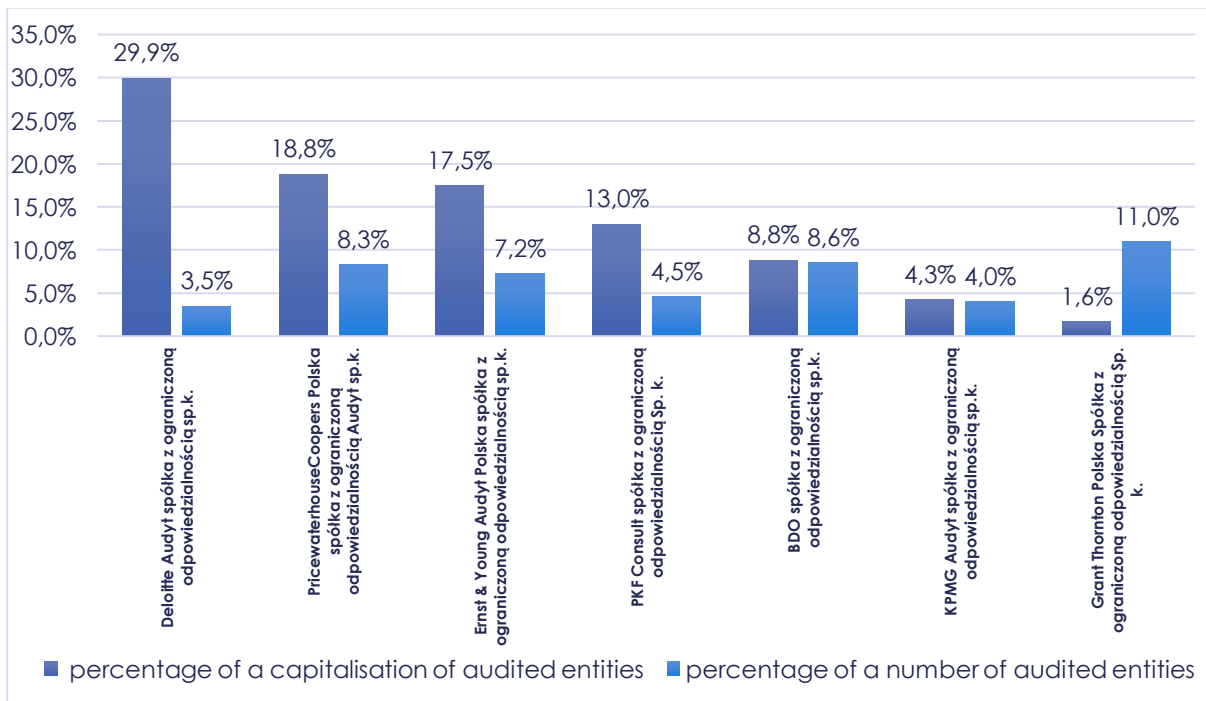


Source: own work based on the annual reports of the audit firms for the year 2021, data collected on 11/05/2022

Audits of listed companies by major audit firms

The audit firms with the largest share of their audited entities in 2021 in the capitalisation of listed companies did not necessarily audit a proportionately high number of listed companies. The clients of the largest audit firms were often listed companies with larger capitalisations, which translated, amongst other things, into higher revenues from audit services provided. This relationship for selected audit firms is presented in Chart 12.

Chart 12 Audits of FS of listed companies by selected audit firms in 2021: share in number of audited entities and in capitalisation¹⁸



Source: own work based on data from the Financial Supervision Authority

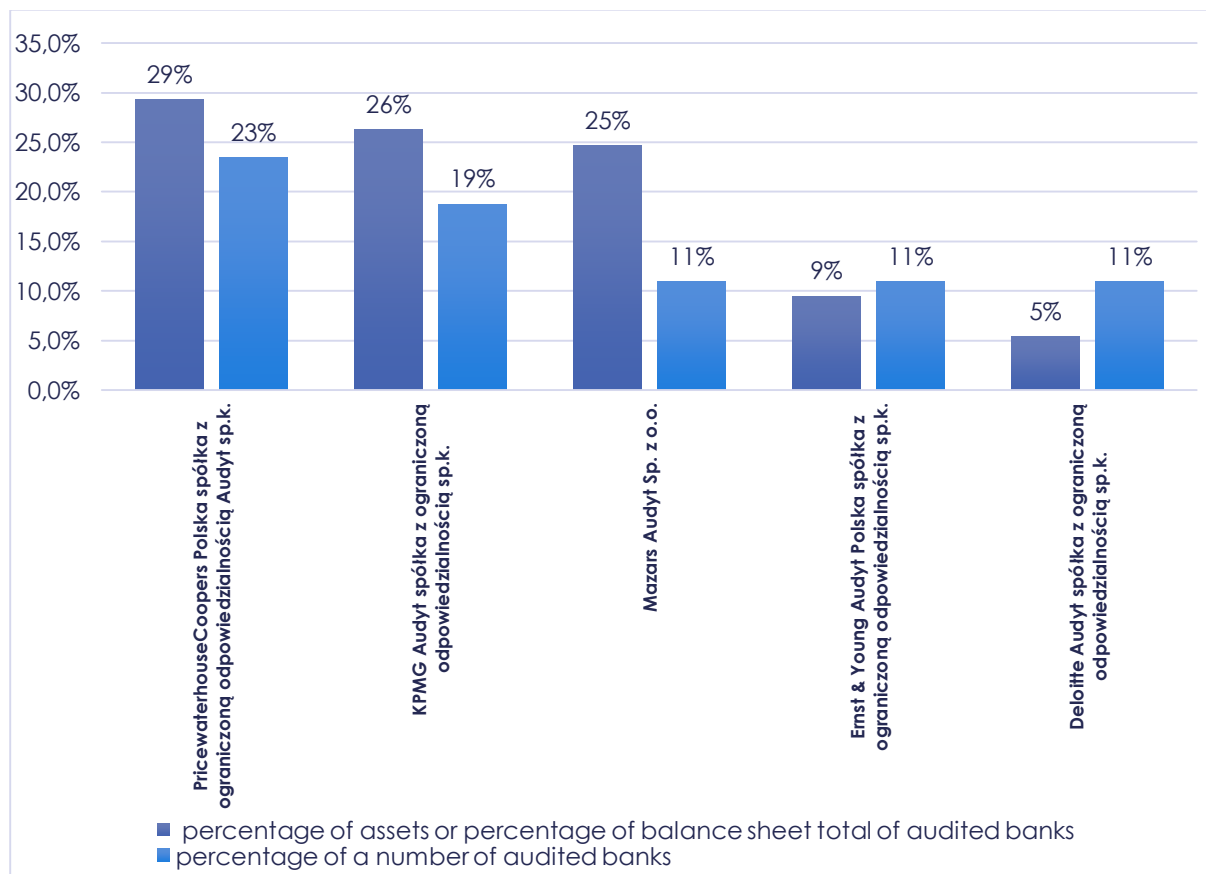
¹⁸ Based on capitalisation of issuers determined as at different dates between 31.12.2020 and 30.09.2021, based on Polish Financial Supervision Authority data.

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Audits of banks by the largest audit firms

The audits of banks other than cooperative banks in 2021 were mainly handled by audit firms belonging to the largest international networks. Barriers to smaller entities entering this market include the specific nature of the banking business, the requirements for the size of audit teams and the necessary level of experience and competence in providing services to entities in this sector.

Chart 13 Audits of FS of banks other than cooperative banks conducted by selected audit firms in 2021: share in banks' assets and the number of statutory audits



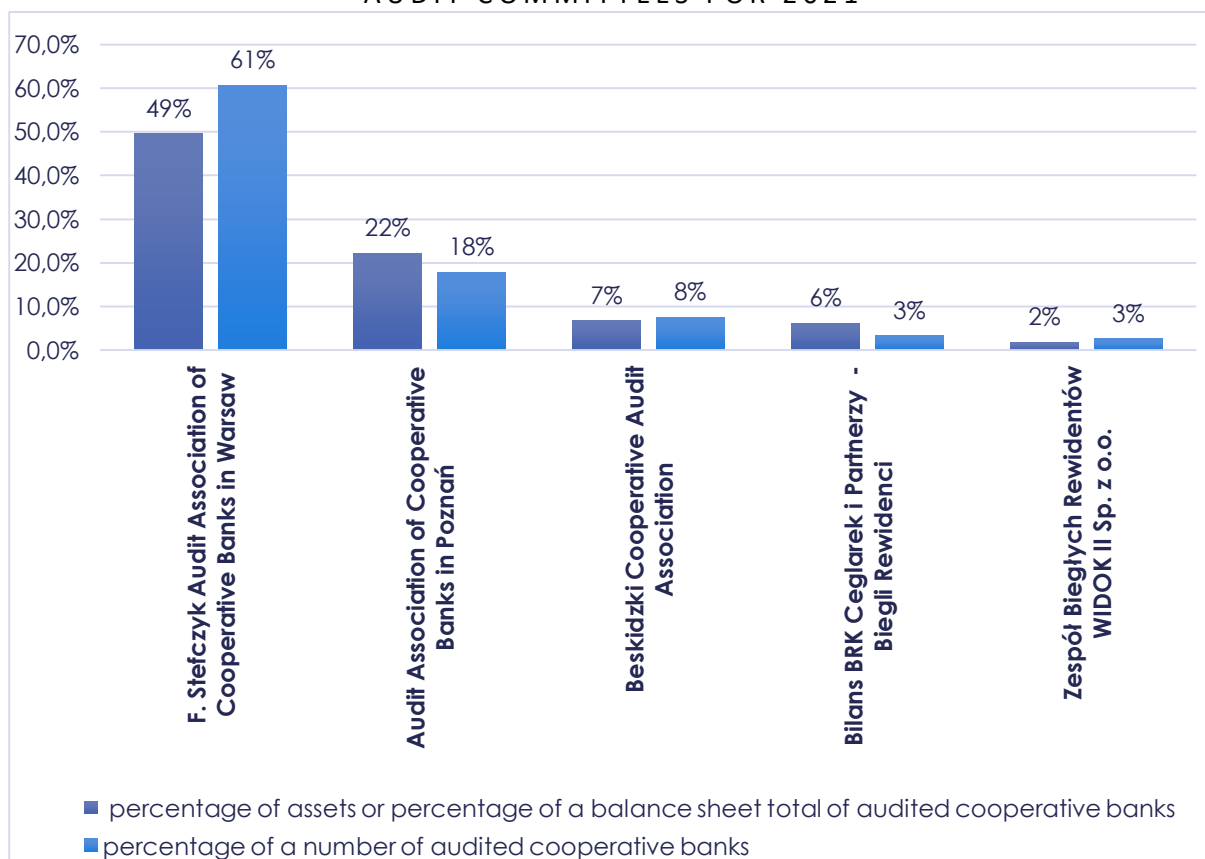
Source: own work based on data from the Financial Supervision Authority

Audit of cooperative banks by major audit firm networks

Among audit firms auditing cooperative banks, the F. Stefczyk Audit Association of Cooperative Banks in Warsaw was dominant in 2021, conducting 61% of statutory audits of cooperative banks. This represented 49% of the total assets or balance sheet total of entities in this sector.

Chart 14 Audits of FS of cooperative banks conducted by selected audit firms in 2021: share in banks' balance sheet total and in number of statutory audits

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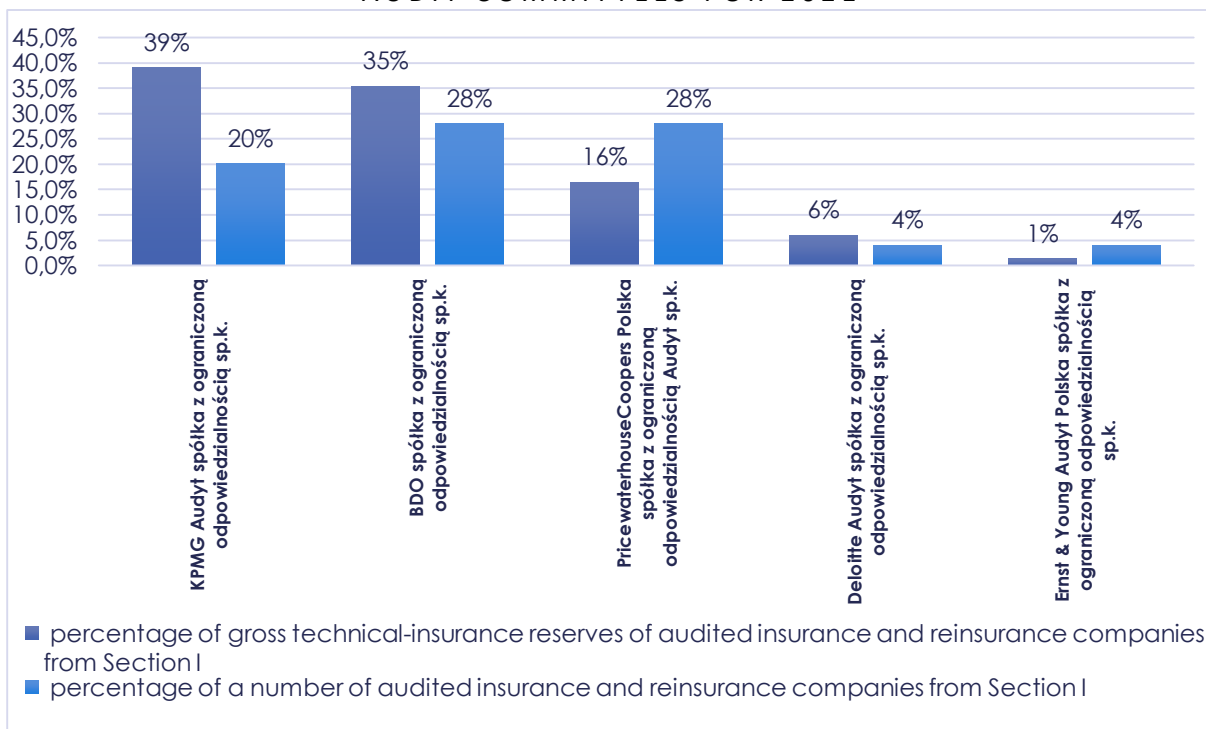
Source: own work based on data from the Financial Supervision Authority

Audit of insurance and reinsurance companies by major audit firms

Among audit firms auditing insurance and reinsurance companies, given the number of audits conducted in 2021, several of the largest firms dominated. Taking into account the sizes of insurance companies, defined for Division I insurance and reinsurance (i.e. companies providing life insurance) as gross technical provisions, and for Division II insurance and reinsurance companies (i.e. companies providing other personal insurance and non-life insurance) as gross written premiums, one of the audit firms, KPMG Audyt sp. z o.o. sp.k., had a 39% share in both subgroups of market for audits of insurance companies as defined above. This is illustrated in Chart 15 and Chart 16.

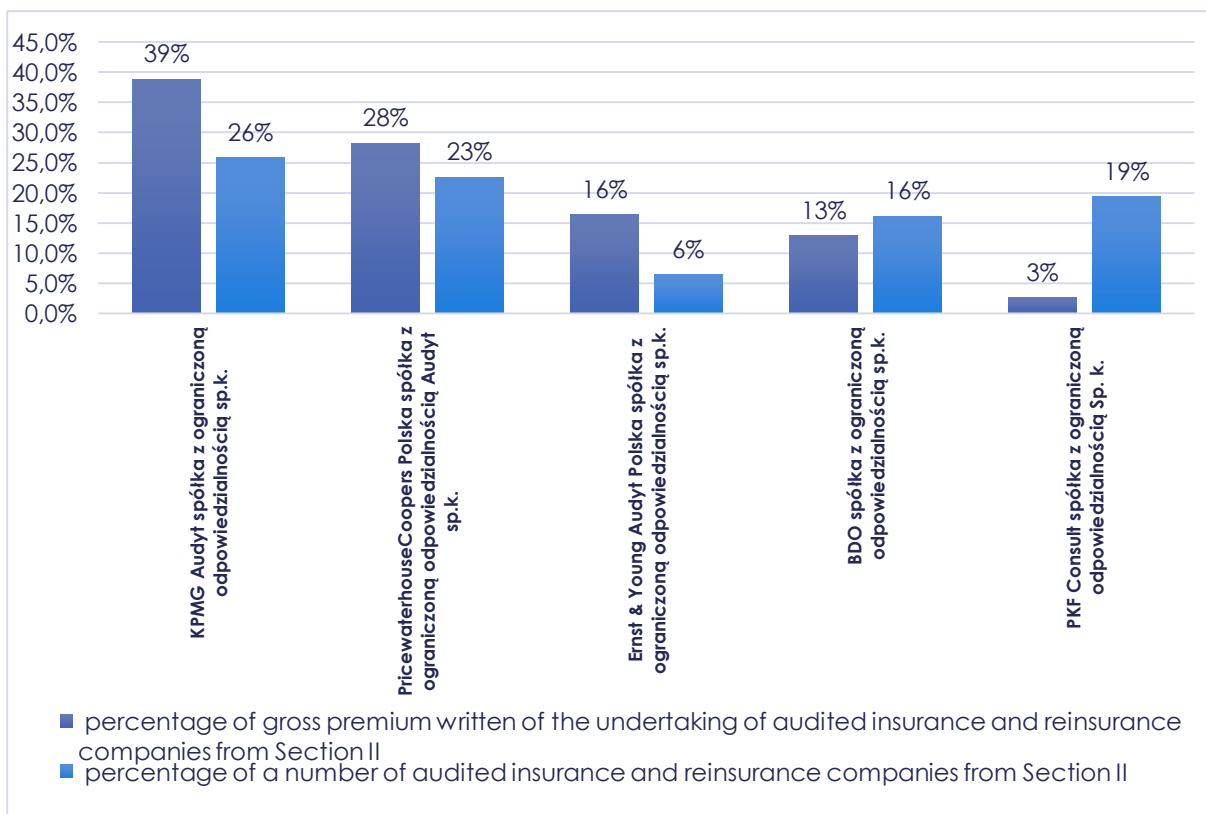
Chart 15 Audits of FS of insurance and reinsurance companies from Section I by selected audit firms in 2021: share in size of insurance companies and in number of statutory audits of insurance and reinsurance companies

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Source: own work based on data from the Financial Supervision Authority

Chart 16 Audits of FS of insurance and reinsurance companies from Section II by selected audit firms in 2021: share in size of insurance companies and in number of statutory audits of insurance and reinsurance companies



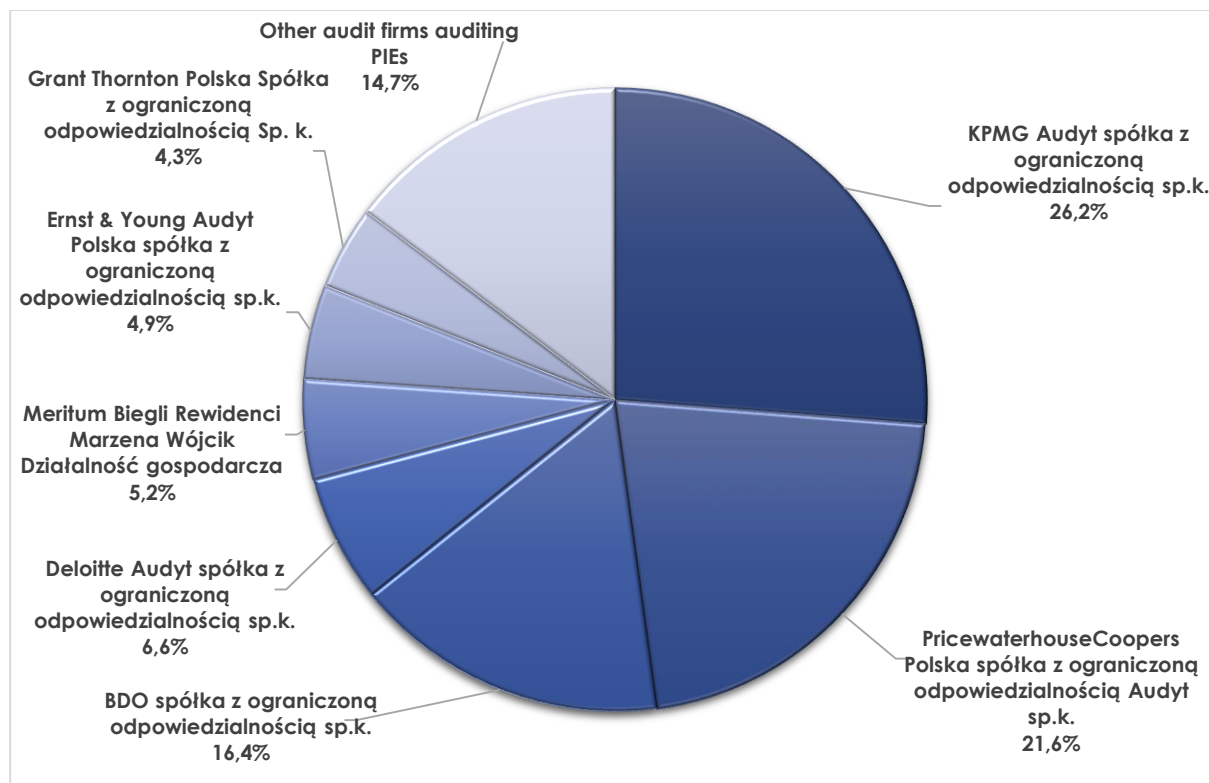
Source: own work based on data from the Financial Supervision Authority

Audit of PIEs other than issuers, banks and insurance companies by major audit firms

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In the number of audits of PIEs that are not issuers, banks or insurance companies, 7 audit firms dominated in 2021 - they audited 85% of such entities. Among them, 3 audit firms, KPMG Audyt sp. z o.o. sp.k., PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. and BDO sp. z o.o. sp.k., conducted the largest number of statutory audits of this category of PIEs. Each of the above audit firms had a share of more than 16%. This is illustrated in Chart 17.

Chart 17 Audits of FS of PIEs other than issuers, banks or insurance companies by largest audit firms in 2021



Source: own work based on data from the Financial Supervision Authority

Risks to the quality of financial statement audits in Poland and measures undertaken to counteract them

In relation to the reform of the public oversight system over statutory auditors and audit firms and audit firms, the system of conducting public inspections has also undergone fundamental changes. The Agency, in operation since 1 January 2020, combines the oversight of audits of public interest entities (PIEs) and audits of other entities (non-PIEs). The fact that a new team of auditors has been appointed to work at the Agency and new procedures have been developed to perform audits taking more account of the risks to audit quality, limits the scope for comparing present figures with previous periods.

The number of inspections performed by the Polish Agency for Audit Oversight as part of the quality assurance system, as well as their results, are monitored on an ongoing basis by the President of the Agency and discussed during monthly meetings of the Agency Council. Information on the most frequent irregularities revealed during audits is regularly made public in the form of studies, so that all stakeholders have the opportunity to familiarise themselves with them. By undertaking such activities, the Agency also performs its statutory tasks.

Main deficiencies detected during inspections

As a part of the control system, we present the deficiencies identified, which we have divided into two main categories:

- **firm-wide finding** – nonexistence of or incompliance with an audit firm's internal quality control system with the applicable national auditing standards, national standards of quality control, the ethical and independence requirements set out in the national regulations, the rules of professional ethics or Article 4 and Article 5 of Regulation No 537/2014;
- **engagement finding** - incompliance of the audit documentation selected for inspection with the provisions of applicable legal regulations, the requirements of auditing standards, quality control, ethical requirements (with particular reference to independence).

The table below presents data on inspections completed by the Agency's inspectors during 2021 and the results of these inspections.

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Table 3 Results of the quality assurance system

	Poland		Data	Reference period <i>Please indicate what reference period the data refers to.</i>	Remarks - Observations
1	Statutory audit engagements (files) inspected	1.0. Total number	320	1 year: inspections carried out in CY 2021	
		1.1. of which statutory audit engagements (files) of PIEs only	103	1 year: inspections carried out in CY 2021	
		1.2. of which statutory audit engagements (files) of non-PIEs only	217	1 year: inspections carried out in CY 2021	
2	Audit firms/Sole Practitioners where statutory audit engagement files were inspected.	2.0. Total number	147	1 year: inspections carried out in CY 2021	
		2.1. of which are Audit firms/Sole Practitioners who audit PIEs	46	1 year: inspections carried out in CY 2021	
		2.2. of which are Audit firms/Sole Practitioners who do not audit PIEs	101	1 year: inspections carried out in CY 2021	
3	Audit firms/Sole Practitioners for which firm-wide	3.0. Total number	146	1 year: inspections carried out in CY 2021	

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	procedures were inspected	3.1. of which are Audit firms/Sole Practitioners who audit PIEs	45	1 year: inspections carried out in CY 2021	
		3.2. of which are Audit firms/Sole Practitioners who do not audit PIEs	101	1 year: inspections carried out in CY 2021	
4	Engagement/ file review findings <i>according to point (i) of Article 29(1) of Directive 2006/43</i>	4.0.Total number of findings	1323	1 year: inspections carried out in CY 2021	
		4.1. Number of findings made in respect of statutory audit engagements of PIEs	460	1 year: inspections carried out in CY 2021	1. Findings in audit planning (ISA 210, 300, 315, 320, 330, 402) - FS (56), CFS (18), total (76); 2. Findings in core audit process and documentation (ISA 230, 250, 450, 500, 501, 505, 510, 520, 530, 550, 560, 580, 600, 610, 620) - FS (62), CFS (21), total (83); 3. Findings from communication with those charged with governance and in audit opinion (ISA 200, 260, 265, 700, 701, 705, 706, 710, 720) - FS (42), CFS (10), total (52); 4. Findings in respect of the auditor's responsibilities relating to Fraud (ISA 240) - FS (36), CFS (6), total (42); 5. Findings in respect of auditing accounting estimates (ISA 540) - FS (26), CFS (2), total (28); 6. Finding in going concern (ISA 570) - FS (8), CFS (3), total (11); 7. Findings in engagement quality control review (ISQC1 and ISA 220) - FS (29), CFS (13), total (42); 8. Findings of incompliance with Regulation no 537/2014 - FS (30), CFS (10), total (40); 9. Other findings - FS (64), CFS (22), total (86); No of audit engagements of PIEs - FS (76), CFS (27), total (103).

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	4.2a. Number of statutory audit engagements of PIEs only with findings	95	1 year: inspections carried out in CY 2021	
	4.2b. Number of statutory audit engagements of PIEs only without findings	8	1 year: inspections carried out in CY 2021	
	4.3. Number of findings made in respect of statutory audit engagements of non-PIEs	863	1 year: inspections carried out in CY 2021	<p>1. Findings in audit planning (ISA 210, 300, 315, 320, 330, 402) - FS (168), CFS (11), total (179);</p> <p>2. Findings in core audit process and documentation (ISA 230, 250, 450, 500, 501, 505, 510, 520, 530, 550, 560, 580, 600, 610, 620) - FS (171), CFS (13), total (184);</p> <p>3. Findings from communication with those charged with governance and in audit opinion (ISA 200, 260, 265, 700, 701, 705, 706, 710, 720) - FS (113), CFS (6), total (119);</p> <p>4. Findings in respect of the auditor's responsibilities relating to Fraud (ISA 240) - FS (112), CFS (5), total (117);</p> <p>5. Findings in respect of auditing accounting estimates (ISA 540) - FS (37), CFS (2), total (39);</p> <p>6. Finding in going concern (ISA 570) - FS (23), CFS (0), total (23);</p> <p>7. Findings in engagement quality control review (ISQC1 and ISA 220) - FS (37), CFS (5), total (42);</p> <p>8. Findings of non-compliance with Regulation no 537/2014 - FS (0), CFS (0), total (0);</p> <p>9. Other findings - FS (150), CFS (10), total (160);</p> <p>No of audit engagements of non-PIEs - FS (203), CFS (14), total (217).</p>

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		4.4a. Number of statutory audit engagements of non-PIEs only with findings	207	1 year: inspections carried out in CY 2021	
		4.4b. Number of statutory audit engagements of non-PIEs only without findings	10	1 year: inspections carried out in CY 2021	
5	Firm-wide review findings	5.0. Total number of findings	514	1 year: inspections carried out in CY 2021	
		5.1. Number of findings made in respect of audit firms/sole practitioners auditing PIEs	166	1 year: inspections carried out in CY 2021	1. Findings in respect of national regulations (Polish Auditing Act) - 35; 2. Findings (ISQC1.1-19)- 21; 3. Ethical requirements (ISQC1.20-25) - 11; 4. Acceptance and continuance (ISQC1.26-28) - 1; 5. Human resources (ISQC1.29-31) - 3; 6. Engagement performance (ISQC1.32-34) - 13; 7. EQCR (ISQC1.35-44)- 20; 8. Eng. documentation (ISQC1.45-47) - 7; 9. Monitoring (ISQC1.48-56) - 22; 10. Documentation of SQC (ISQC1.57-59) - 1; 11. Other (ISA 220, AML) - 23; 12. Regulation 537/2014 - 9;

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	5.2a. Number of audit firms/sole practitioners auditing PIEs with findings	40	1 year: inspections carried out in CY 2021	
	5.2b. of audit firms/sole practitioners auditing PIEs without findings	5	1 year: inspections carried out in CY 2021	
	5.3. Number of findings made in respect of audit firms/sole practitioners auditing non-PIEs only	348	1 year: inspections carried out in CY 2021	<i>1. Findings in respect of national regulations (Polish Auditing Act) - 60;</i> <i>2. Findings (ISQC1.1-19)- 44;</i> <i>3. Ethical requirements (ISQC1.20-25) - 45;</i> <i>4. Acceptance and continuance (ISQC1.26-28) - 16;</i> <i>5. Human resources (ISQC1.29-31) - 4;</i> <i>6. Engagement performance (ISQC1.32-34) - 25;</i> <i>7. EQCR (ISQC1.35-44)- 48;</i> <i>8. Eng. documentation (ISQC1.45-47) - 21;</i> <i>9. Monitoring (ISQC1.48-56) - 59;</i> <i>10. Documentation of SQC (ISQC1.57-59) - 13;</i> <i>11. Other (ISA 220, AML) - 13;</i>
	5.4a. Number of audit firms/sole practitioners auditing non-PIEs only with findings	86	1 year: inspections carried out in CY 2021	

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	5.4b. Number of audit firms/sole practitioners auditing non-PIEs only without findings	15	1 year: inspections carried out in CY 2021	
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Source: own work

Reduction of risks and their systemic analysis

Table 4 below provides information on the actions taken in Poland to address the deficiencies detected and the risk assessment associated with these deficiencies.

Table 4 Mitigation and Systemic risk analysis

		Question	Yes/No	Category	Remarks/Observations
1	Risk Mitigation	For the given reference period, in respect of PIE findings, were the recommendations set out satisfactorily implemented on or before the 12 month implementation deadline in all instances. Please provide detail where either recommendations were not satisfactorily implemented or were implemented outside the 12 month implementation period.	No		In respect of 4 inspected audit firms that audit PIE financial statements the recommendations were not satisfactorily implemented. In other cases implementation of recommendations was successful and timely.
2		For the given reference period were any of the PIE findings identified repeat findings, i.e. the same findings identified within the same audit firm or statutory auditor in previous inspection cycles. If answering 'yes' please indicate what remediation actions were assigned to the audit firm (or statutory auditor).	Yes	Engagement Quality Control - EQCR	Administrative proceedings against the inspected audit firm and disciplinary proceedings against the engagement quality controller were initiated.
			Yes	Risk Assessment	Wrong risk assessment. Disciplinary investigations were initiated against the audit partner and engagement quality controller.
			Yes	Other	Lack of sufficient audit evidence related to material FSs positions (FSs of financial institution). Disciplinary investigations were initiated against the audit partner and engagement quality controller.
			Yes	Risk Assessment	Improper identification of internal general controls within the audited entity that caused wrong risk assessment. Disciplinary investigations were initiated against the audit partner and engagement quality controller.

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			Yes	Other	Estimates. Insufficient and inadequate audit evidence related to the measurement of the liabilities and financial assets. Disciplinary investigations were initiated against the audit partner and engagement quality controller.
			Yes	Adequacy of Financial statements and Disclosures	Disciplinary investigations were initiated against the audit partner and engagement quality controller.
			Yes	Other	Adequacy of management report and disclosure resulting from national regulations. Disciplinary investigations were initiated against the audit partner and engagement quality controller.
3		Were any regulatory sanctions taken during the given reference period, as a follow up of the PIE findings identified in previous NCA inspections (including outside the reference period)? Please provide detail on the nature of the sanctions (and whether the process has been concluded upon).	No		PANA has been conducting inspections since 1 January 2020, after taking over these duties from the Audit Oversight Commission (supervisory authority) and the National Supervisory Commission (a liquidated body of professional self-government). The frequency of inspections of audit firms auditing PIEs, expressed in inspection cycles at least every three years, has an impact on the delay of the sanctions against audit firms. The irregularities identified by PANA may lead to administrative proceedings against audit firms and disciplinary proceedings against statutory auditors. In relation to improperly executed services, PANA has initiated and is conducting administrative proceedings against, among others, audit firms auditing PIEs. Proceedings may already have been initiated and closed against some audit firms in the previous legal situation. PANA conducts several administrative proceedings against audit firms auditing PIE, which had previously been sanctioned by the body of professional self-government for the infringements identified during inspections.
	Systemic Risk Analysis	Did any of the PIE findings or the PIE findings in combination identified during the reference period identify systemic weaknesses in any of the following areas:			
4		the audit firm's objectives and strategies (i.e. performance targets & indicators)	No		n/a

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5		the audit firm's financial soundness	No		n/a
6		the audit firm's leadership and culture	Yes		In 2 inspected audit firms that audit PIE financial statements, systematic risks in the area of the audit firm's leadership and culture were identified. In the case of one audit firm, the systematic weaknesses identified were related to the overall low quality of inspected audit documentation as well as providing prohibited services. In the case of the other audit firm, the identified systematic risk related to persistent lack of communication between the audit firm and the supervisory authorities for the financial market.
7		the overall quality of its system of internal control within the audit firm	Yes		In the case of 2 inspected audit firms that audited PIE financial statements, the systemic risks were identified in the overall quality of the internal control system within the audit firm. The systemic weaknesses identified were related to little or no engagement quality control reviewing or internal monitoring.
8		Were any other instances of systemic risk identified during the reference period outside of the inspection process (for example through enforcement actions, media coverage). Please provide detail in the 'Remarks/Observations' column.	No		n/a

Source: own work

Activity of audit committees in Poland

In the Polish legal system, tasks arising from the supervision of statutory auditors, audit firms and audit committees were divided between the Polish Agency for Audit Oversight and the Polish Financial Supervision Authority. The responsibility for the supervision of audit committees is entrusted to the Polish Financial Supervision Authority, which at the same time oversees public interest entities.

Key indicators on audit committees

Table 5 below presents information on:

- general regulatory requirements relating to audit committees implemented in Polish legislation (in the Act on Statutory Auditors) or resulting directly from Regulation 537/2014;
- supervisory action taken by the PFSA on audit committees;
- structure of audit committees in PIEs operating in Poland.

As of 2021, there were 1,204 audit committees appointed by supervisory authorities from among their members. In addition, in some entities the function of the audit committee was entrusted to the supervisory board as a whole, while others entities followed the exemptions allowed by the regulations governing this area.

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Table 5 Key indicators for audit committee performance in 2021

I	Question Number as per AC questionnaire	Question sub-options	Replies at national level	Remarks/Observations/Comments (Use this column to add extra information to the reply)
	Audit Committee Overview		Please choose the relevant option by selecting from the drop list or insert the total number, if relevant	Open text box for any other items to be reported either from the comments section or comments of the NCA itself (if applicable)
1	What organisational structures are used in your national jurisdiction by audit committees ¹⁹ ?	1.a. Stand-alone audit committee (please include the number)	No	
		1.b. Committee of the supervisory body (please include the number)	Yes	<p>53 insurance undertakings, 1 reinsurance undertaking, 2 brokerage houses, 2 credit unions, 2 national payment institutions, 492 cooperative banks (including 2 banks affiliating cooperative banks), 30 commercial banks, 10 investment funds companies, 67 specialised open-end investment funds, 40 open-end investment funds, 35 public closed-end investment funds, 25 voluntary pension funds, 10 open pension funds, 10 general pension societies, 148 issuers of securities*</p> <p>*For the vast majority cases of issuers, audit committees are created. Members of these audit committees are appointed by the supervisory board from among members of this body (as specified in Article 128.1 Act on Statutory Auditors). The PFSA does not have data on the exact number of issuers where the audit committee was created among the PIEs supervised in years 2020-2021. However, 148 issuers out of 162 analysed issuers (PIEs) have created audit committees (total number of issuers (PIEs) at the end of 2021: 376).</p> <p>Additionally, at the end of 2021 there were: 21 branches of insurance undertakings, 3 branches of reinsurance undertaking, 35 branches of credit institutions, 1 branch of a foreign bank (no information about audit committees structure; neither entity has a separate audit committee from the parent entity).</p>

¹⁹ Exemptions granted by Article 39.4 of the Directive 2006/43 are not considered relevant in the context of this indicator

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		1.c. Committee of the administrative body of the entity (please include the number)	No	
		1.d. Other. Please specify in the remarks/observations column (please include the number).	Yes	<p><i>"Other" means the Supervisory Board as a whole acting as an audit committee, and it refers to: 1 insurance undertaking; 19 cooperative banks, 14 issuers of securities* and also applies to cases in which some members of the Supervisory Board and a person from outside the Supervisory Board jointly perform the function of the audit committee. This is true for 3 national payment institutions.</i></p> <p><i>*In the case of small issuers, it is possible to entrust the functions of the audit committee to the supervisory board as a whole (as specified in Article 128.4.4 Act on Statutory Auditors). The PFSA does not have data on the exact number of issuers where the functions of the audit committee are entrusted to the supervisory board as a whole. However, this only occurs in a small minority of cases (14 issuers out of the 162 issuers analysed) (PIEs) during the years 2020-2021 did not create an audit committee. The total number of issuers (PIEs) at the end of 2021 was 376.</i></p>
2	What is the total number of audit committees set up by public interest entities in your jurisdictions in 2021 that are subject to an assessment of their performance (as prescribed in Article 27. 1 (d) of Regulation 537/2014) by your NCA (Please use the information provided in the NCA guidance to properly identify population in scope)	2.0. Total	1204	<p>53 insurance undertakings, 1 reinsurance undertaking, 2 brokerage houses, 2 credit unions, 5 national payment institutions, 492 cooperative banks (including 2 banks affiliating cooperative banks), 30 commercial banks, 10 investment funds companies, 67 specialised open-end investment funds, 40 open-end investment funds, 35 public closed-end investment funds, 25 voluntary pension funds, 10 open pension funds, 10 general pension societies, 362 issuers of securities*</p> <p><i>*This is the number of PIEs subject to the supervision of the PFSA at the end of 2021, which includes those where the audit committees were created (vast majority cases) (including 148 of the issuers analysed (see the above comments).</i></p> <p><i>Additionally, at the end of 2021 there were: 21 branches of insurance undertakings, 3 branches of reinsurance undertaking, 35 branches of credit institutions, 1 branch of foreign bank (lack of information about audit committees structure; neither entity has a separate audit committee from the parent entity).</i></p>

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3	How many public interest entities in your national jurisdiction benefit from the option provided by the article 39(2) of the Audit Directive?	3.0. Total	34	1 insurance undertaking, 19 cooperative banks, 14 issuers of securities* *The PFSA does not have data on the exact number of issuers where the functions of the audit committee are entrusted to the supervisory board as a whole. However, this only occurs in a small minority of cases.
4	How many public entities in your national jurisdiction benefit from the exemption to have an audit committee based on the option provided by the article 39(3) of the Audit Directive? (Please complete)	4.0. Total	0	N/A
		4.a. Art 39(3)-a	0	N/A
		4.b. Art 39(3)-b	0	N/A
		4.c. Art 39(3)-c	0	Polish national legislation contains an option provided for in art. 39(3)(c) of the Audit Directive (article 128.2 Act on Statutory Auditors) but no entity benefits from the exemption.
		4.d. Art 39(3)-d	0	N/A
5	How many public entities in your national jurisdiction benefit from the option provided by the article 39(4) of the Audit Directive?	5.0. Total	0	N/A
6	Did your national competent authority perform any procedures to confirm that derogation/exemption conditions have been appropriately applied by public	6.a. Yes. Please specify which procedures in the remarks/observations column:	Yes	In cases where the functions of the audit committee are entrusted to the supervisory board as a whole, the PFSA verifies, on the basis of financial statements, whether the conditions specified in Art. 128.4.4 Act on Statutory Auditors were fulfilled.
		6.b. No	No	

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	entities listed above?			
II	Assessment of audit committee (Article 27.1 of the Audit Regulation):			
7	<p>How do you assess the performance of Audit Committees in your national jurisdiction in accordance with the requirements of Article 27. 1 of Regulation (EU) 537/2014)? (Please provide information on the tools and criteria your NCA uses in order to regularly assess the performance of audit committees)</p>	Please specify in the remarks/observations column.		<p><i>The Audit Committee (AC) is verified on the basis of:</i></p> <ul style="list-style-type: none"> - annual financial statements (applies to issuers), - annual surveys/questionnaires, - supervisory letters, - e-mail inquiries, - the annual Supervisory Review and Evaluation Process (SREP), - information concerning any change in the composition of the AC and the meetings of the AC (applies to insurance and reinsurance undertakings), - participation of the PFSA representatives in AC meetings (applies to insurance and reinsurance undertakings), - on-site inspections, etc. <p><i>Using the above source of information (tools), the PFSA gives suitable recommendations to Audit Committees.</i></p> <p><i>Additionally, assessment of the performance of audit committees in commercial banks, cooperative and affiliating banks is based mainly on information obtained during analytical supervision, including materials provided by banks as part of the Supervisory Review and Evaluation Process (SREP). Specific tools are not used; the PFSA assesses the compliance of audit committees' activities with the law.</i></p> <p><i>In particular, the PFSA assesses the performance of audit committees of issuers in two stages (primary and secondary analysis). The primary analysis is based on a review of information regularly received from supervised issuers such as annual reports and audit reports. In the secondary analysis, the PFSA submits to selected issuers a questionnaire on the audit committee and any additional issues noticed in the review. The questionnaire and questions also includes a request for documents to be submitted. On this basis, the PFSA assesses the compliance of audit committee activities with legal requirements. This provides a basis for any subsequent enforcement action.</i></p>

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III	Interaction between the NCA and AC:			
8	What responsibilities does your NCA have over the oversight of audit committees in your jurisdiction? (Select one of the following) <i>(Note: Please detail in the Remarks/Observations column the degree of oversight the NCA has over audit committees)</i>	8.a. The NCA has sole oversight over Audit Committees	Yes	<i>The Polish Financial Supervision Authority (PFSA) has sole oversight over Audit Committees based on national law (Act on Statutory Auditors in an Article 89 describes the tasks of PFSA).</i>
		8.b. The NCA shares oversight with another competent authority (please provide information on which ones in the remarks/observations column)	No	
		8.c. Another body has sole oversight (please provide information on which competent authority in the remarks/observations column)	No	
		8.d. Audit Committees are not overseen in the jurisdiction.	No	
9	How do you obtain information on Audit Committees and their tasks/activities? (multiple choice)	9.a. Via a special register	Yes	<i>In the case of issuers: the PFSA takes this information from the Officially Appointed Mechanism for public information of issuers (ESPI System). In the case of insurance and reinsurance undertakings: The information about the AC structure is registered in the Insurance Supervision System.</i>
		9.b. Via national business associations	No	
		9.c. Informally, via direct contact	Yes	<i>phone conversations, e-mails</i>
		9.d. Via questionnaire prepared by the CEAOB sub-group	Yes	

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		9.e. Other (please provide detail in text box under the comments column)	Yes	<p><i>Based on annual financial statements (issuers), surveys/questionnaires, e-mail inquiries, supervisory letters, during the annual supervisory examination and evaluation process (including surveys/questionnaires completed by PIEs during this process), information concerning any change in the composition of the AC and the meetings of the AC (insurance and reinsurance undertakings), participation of the PFSA representatives in AC meetings (insurance and reinsurance undertakings), on-site inspections, etc.</i></p> <p><i>Additionally, information may be obtained via direct contact during analytical supervision, including materials provided by banks as part of the SREP process</i></p> <p><i>The PFSA has issued Recommendation L on the role of the external auditors in the supervision of banks and credit unions. This document recommends that the Audit Committee is expected to exchange information with the PFSA.</i></p>
10	In your jurisdiction, are audit committees involved in any aspect of NCA audit inspections? Please give details	10. Yes/No (please provide detail in text box under the remarks/observations column)	No	<p><i>The Audit Committees are not directly involved in the PFSA audit inspections, but provide to the PFSA the relevant information.</i></p> <p><i>The PFSA collects and analyses the information provided by the Audit Committees. On the basis of the obtained information, the PFSA requests additional information and clarification or makes the appropriate recommendations.</i></p>
11	Does your National Competent Authority provide guidance to Audit Committees to consider when assessing auditor performance? Are any other types of guidance issued to Audit Committees? If yes, in which form is this guidance provided?	11. Yes/No (please provide detail in text box under the remarks/observations column)	Yes	<p><i>The guidelines on the tasks and responsibilities of the audit committee are published on the website of the supervisory authority. The PFSA also issues written recommendations directly to public interest entities.</i></p> <p><i>The above-mentioned Recommendation L provides guidance on interaction between the audit committee and external auditors.</i></p> <p><i>In December 2019, the PFSA published "Best practises for PIEs regarding the principles of appointment, composition and operation of the audit committee".</i></p> <p><i>The PFSA publishes announcements on its website regarding statutory audits and operations of Audit Committees, i.e.:</i></p> <ul style="list-style-type: none"> - <i>An announcement on new regulations regarding Audit Committees,</i> - <i>An announcement on the rotation of audit firms,</i> - <i>An announcement regarding compliance with the criterion of independence for a member of the Audit Committee of a public interest entity,</i> - <i>An announcement regarding the obligation to periodically change the statutory auditor and the audit firm.</i>

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12	Which other activities does your National Competent Authority undertake to engage with Audit Committees? (multiple choice)	12.a. Dialogue	Yes	
		12.b. Survey/Questionnaires	Yes	<i>-including a regular questionnaire as a part of the SREP process. In the case of an issuer: the PFSA asks chosen issuers to respond to a detailed questionnaire about the Audit Committee and to provide the PFSA with the documents indicated by this authority.</i>
		12.c. Advisory groups/committees	No	
		12.d. Workshops/seminars/conferences	Yes	<i>Every December, the PFSA organizes a seminar: "Periodic reporting of issuers - compliance with the applicable regulations (financial framework), particularly IAS / IFRS", addressed to issuers, including members of supervisory boards and audit committees, as well as audit firms and statutory auditors.</i>
		12.e. Reports	No	
		12.f. Other (please provide detail in text box)	Yes	<i>supervisory letters, e-mail inquiries In case of detected non-compliance with regulations, recommendations are sent to specific issuers. Moreover, announcements on the interpretation of selected regulations of the Act on Statutory Auditors are published on the PFSA website.</i>
		12.g. None	No	

Source: data from Financial Supervision Authority

Results of a survey taken among audit committees

The Polish Financial Supervision Authority provided selected Audit Committees/Supervisory Boards, acting as audit committees, with a questionnaire formulated by the Committee of European Audit Supervisors together with instructions on how to complete it.

On the basis of the questionnaires received, the PFSA selected a sample of 50 PIEs, whose questionnaires were used to complete the aggregated data for the preparation of this report. The sample size (50) is based on the CEAOB's methodology and depends on the number of PIEs operating in a Member State.

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Table 6 presents information about the selected sample of audit committees. The PFSA has selected a sample of 50 audit committees including representatives of the following sectors:

- 12 manufacturing,
- 11 banking,
- 5 insurance,
- 5 Information technology,
- 5 consumer goods,
- 3 entities providing financial services other than banking or insurance,

as well as 9 representatives of other industries described in more detail below.

Table 6 Audit committees - information on the sample to whom the survey was presented

A	Questionnaire population	Please fill in below	Options
1	Please select the Member State your national competent authority represents (in column c)	Poland	
2	To how many Audit Committees did you send the questionnaire (AC questionnaire population)?	50	
3	How many replied to the Audit Committee questionnaire?	50	
4	Number of employees of the Audit Committee entity	4%	1 to 9
		8%	10 to 49
		22%	50 to 249
		32%	250 to 499
		34%	More than 500
5	Economic Activity of the Audit Committee entity	1	Accommodation and food
		5	Consumer goods
		0	Energy
		2	Healthcare
		11	Financial services - Banking
		5	Financial services - Insurance
		3	Financial services - other
		12	Manufacturing
		5	Information technology
		1	Materials
		2	Real Estate

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		0	Telecommunication
		0	Travel, Leisure & Hospitality
		1	Utilities
		2	Wholesale and retail
		0	Other (please provide detail)
6	Number of audit committee members	41	3
		3	4
		5	5
		1	>5
7	Percentage of audit committees whose audit committee members have relevant experience in the following:	49 (98%)	Financial reporting
		41 (82%)	Audit
		50 (100%)	Industry Experience (management experience, excluding experience sitting on audit committees within the industry)

Source: data from Financial Supervision Authority

Table 7 presents aggregate data in terms of responses from a selected group of audit committees (or boards, when acting as a whole, these perform audit committee duties). For reasons of confidentiality, quotes from anonymised audit committee responses have been removed from the current version of this document.

Table 7 Aggregate results of a survey of selected audit committees

-	Question Number as per AC questionnaire	Question Sub-options	Replies received at national level	Ratio (Reply in percentage received at national level (%))	
	Interaction with the administrative or supervisory body		(please insert the <u>total number</u> of replies received for each option)	(total Percentage (%) of replies received for each option)	
1	How many times during the reference period did the audit committee meet with the administrative body	1.0.a Total (Administrative Body)	50	100%	
		1.1. Never	4	8%	
		1.2. Once	1	2%	

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	and/or supervisory body of the entity to communicate on its activities, issues and related recommendations in respect to the statutory audit? (Art 39.6a of AUD)	1.3. Twice	11	22%		
		1.4. 3 times	9	18%		
		1.5. Quarterly	9	18%		
		1.6. 5 times	2	4%		
		1.7. 6 times	3	6%		
		1.8. 7 times	1	2%		
		1.9. 8 times	2	4%		
		1.10 More than 8 times	4	8%		
		1.11. Other items to be reported (if applicable)	4	8%		
		1.0.b Total (Supervisory Body)	50	100%		
		1.1. Never		0%		
		1.2. Once	2	4%		
		1.3. Twice	15	30%		
		1.4. 3 times	9	18%		
		1.5. Quarterly	10	20%		
		1.6. 5 times	2	4%		
		1.7. 6 times	3	6%		
		1.8. 7 times	1	2%		
		1.9. 8 times	3	6%		
		1.10 More than 8 times	4	8%		
		1.11. Other items to be reported (if applicable)	1	2%		
		2	How did the audit committee communicate the outcome of the audit to the administrative and/or supervisory body of the entity? (Art 39.6.a of AUD)	2.0.a Total (Administrative Body)	50	100%
2.1. Verbally in meetings where management was present	31			62%		
2.2 Verbally in meetings where management was not present	2			4%		
2.3 In a written report	8			16%		

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		2.4 Other (please specify)	2	4%	
		2.5 N/A	7	14%	
		2.0.b Total (Supervisory Body)	50	100%	
		2.1. Verbally in meetings where management was present	31	62%	
		2.2 Verbally in meetings where management was not present	3	6%	
		2.3 In a written report	10	20%	
		2.4 Other (please specify)	3	6%	
		2.5 N/A	3	6%	
3	During meetings with the administrative or supervisory body, how much time was spent (in total percentage of hours) on matters related to the outcome and monitoring of the audit?	3.0. Total	50	100%	
		3.1. Less than 10% of the total of audit committee meeting time	2	4%	
		3.2. Between 10% and 25% of the total of audit committee meeting time	18	36%	
		3.3. Between 25% and 50% of the total audit committee meeting time	18	36%	
		3.4. More than 50% of the total audit committee meeting time	12	24%	
4	Did the audit committee provide input or recommendations to the administrative or supervisory body in respect of the following areas? (please indicate number of audit committees where	4.0. Total	50	100%	
		4.1. Risk Management Analysis/Internal Controls	37	74%	
		4.2. Regulatory compliance assessment	22	44%	
		4.3. Cybersecurity	6	12%	
		4.4. Funding & Liquidity Decisions	17	34%	

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	identified areas were discussed)	4.5. Preparation of financial statements	33	66%	
		4.6. No input/recommendation made	6	12%	
		4.7. Other areas for recommendation	8	16%	
II	Independence including permitted non-audit services and fees cap				
5	How did the audit committee monitor the independence of the statutory auditor(s)/audit firm during the reference period? (please indicate number of audit committees were identified type of monitoring occurred)	5.0. Total	50		
		5.1. Written representation obtained from the statutory auditor(s) (or the audit firm(s)) confirming that the statutory auditor(s), the audit firm(s) and partners, senior managers and managers, conducting the statutory audit were independent of the entity	47	94%	
		5.2. Formal discussion between the statutory auditor (or the audit firm) of the entity and the audit committee on the threats to the auditor's independence as well as safeguards applied to mitigate those threats (if so, at which date)	22	44%	
		5.3. Use of a specific questionnaire to get more information from the statutory auditor (or audit firm)	1	2%	
		5.4. Other (please specify)	4	8%	
		5.5. The audit committee did not perform any action to monitor the independence	3	6%	
		5.6. The audit committee did not perform any action to monitor the independence		0%	
	Provision of permitted non-audit services by the statutory auditor/audit firm (or any member of its network)				

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6	Did the audit committee set further criteria limiting non audit services that would be permissible under the EU Audit Regulation or local legislation? (For 6a please use the comments box to provide further detail)	6.0. Total	50	100%	
		6.1. Yes	9	18%	
		6.2. No	41	82%	
7	How many proposals did the statutory auditor(s)/audit firm (or any member of its network) submit to the entity, its parent and controlled undertakings, for the provision of non-audit services during the reference period? (Art 5.4 of AUR)	7.0. Total	50	100%	
		7.1. 0	20	40%	
		7.2. 1-3	25	50%	
		7.3. 4-6	3	6%	
		7.4. 7-9		0%	
		7.5. >9	2	4%	
7b	Please indicate the total fees relating to the provision of the proposed non-audit services as a percentage of total statutory audit fees	7b.0 Total	50	100%	
		7b.1. < 10%	41	82%	
		7b.2. 10% - 20%	4	8%	
		7b.3. 21% - 30%	1	2%	
		7b.4. 31% - 40%	1	2%	
		7b.5. 41% - 50%	1	2%	
		7b.6. 51% - 60%	0	0%	
		7b.7. 61% - 70%	2	4%	
		7b.8. > 70%	0	0%	
8	Were all these proposals for non-audit services examined by the audit committee? (Art 5.4 of AUR)	8.0. Total	30	60%	
		8.1. Yes	30	60%	
		8.2. No		0%	

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8a	If no, why not? (please use the comments box to provide further detail)	8a.0. Total	0	0%	
		8a.1. Non-audit services were on a pre-approved list			
		8a.2. The provision of non-audit services by the statutory auditors is never permitted by the entity			
		8a.3. Other			
8a	If yes, how was the examination of the proposals for non-audit services organised? (please use the comments box to provide further detail)	8b.0. Total	30		
		8b.1. Review of proposal(s) made by the statutory auditor	14	47%	
		8b.2. Examination of a file note prepared by the entity's management	6	20%	
		8b.3. The audit committee posed direct questions to the auditor	3	10%	
		8b.4. Use of a list of pre-approved services	7	23%	
		8b.5. Discussions with management in this regard	15	50%	
		8b.6. Discussions with the statutory auditor in this regard	14	47%	
		8b.7. Other means of examination	3	10%	
9	Did the audit committee withhold the approval of any of these proposals for non-audit services during	9.0. Total	50	100%	
		9.1. Yes	0	0%	
		9.2. No	30	60%	

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	the reference period? (Art 5.4 of AUR)?	9.3. Not applicable as no request received	20	40%	
9a	If yes, what proportion of the number of proposals for non-audit services (mentioned in Q7) did the audit committee withhold approval?	9a.0. Total	0	0%	
		9a.1. 0%			
		9a.2. 1-10%			
		9a.3. 11-20%			
		9a.4. 20-50%			
		9a.5. > 50%			
9b	What were the reasons for withholding approval? (please use the comments box to provide further detail)	9b.0. Total	0		
		9b.1. Risks for the independence of the statutory auditor			
		9b.2. To enhance competition between audit firms			
		9b.3. The permitted non-audit services fee cap of 70% would be exceeded			
		9b.4. The non-audit service was prohibited (under Article 5 of AUR or under national law)			
		9b.5. Other reasons (please specify)			
10	How did the audit committee oversee that the entity's management ensured that the non-audit services provided by the	10.0. Total	50	100%	
		10.1. The audit committee did not perform an examination of non-audit services performed	7	14%	

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	statutory auditor(s) (or any member of its network) were consistent with the approved non-audit services (nature and fees)?	10.2. Review of description of non-audit service provided and the related cost from invoices submitted to understand the nature of the non-audit services provided.	7	14%	
		10.3. The audit committee requested feedback from the entity's management on the non-audit services ultimately provided to ensure they were in line with the approved proposed non-audit services	10	20%	
		10.4. The audit committee requested feedback from the statutory auditors on the non-audit services ultimately provided to ensure they were in line with the approved proposed non-audit services	12	24%	
		10.5. Other (please explain)	14	28%	
	Monitoring of the non-audit services fee cap:				
11	How did the audit committee monitor the amount of non-audit services related fees paid to the statutory auditor(s)/audit firm? (Art. 4.2 of AUR) (please use the comments box to provide further detail)	11.0. Total	50		
		11.1. Requesting information from the entity	27	54%	
		11.2. Requesting information from the statutory auditor (audit firm)	9	18%	
		11.3. Other (please specify)	14	28%	
12	Did the audit committee set a non-audit services fee cap lower than 70% for their monitoring, and if so, at what percentage?	12.0. Total	50	100%	
		12.1. No	49	98%	
		12.2. 60%-70%	0	0%	
		12.3. 50%-60%	0	0%	
		12.4. 40%-50%	1	2%	
		12.5. <40%	0	0%	

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12a	If yes, what was the rationale to set a lower non-audit services fee cap and what were the criteria used to determine the threshold? (please use the comments box to provide further detail)				
13	Did the audit committee perform a review of the calculation made by the entity in relation with the permitted non-audit services fee cap of 70%? (please use the comments box to provide further detail)	13.0. Total	50	100%	
		13.1. Yes	7	14%	
		13.2. No	25	50%	
		13.3. N/A (please specify)	18	36%	
13a	If Yes, please describe how the audit committee assessed the completeness and accuracy of the data used for this calculation. (please use the comments box to provide further detail)				
13b	At what (entity) level was the non-audit services fee cap calculated?	13b.0. Total	50	100%	
		13b.1. All calculations are performed at group level for the PIE sitting at group level	13	26%	
		13b.2. All calculations are performed at group level for all PIEs within the group	16	32%	
		13b.3. Calculations are performed at subsidiary level	11	22%	

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		13b.4 Not a group structure, calculations are performed at company level	10	20%	
13c	What was the level of non-audit services fee cap reached by the statutory auditor(s)/audit firm during the reference period?	12.0. Total	50	100%	
		13c.1. 0%	5	10%	
		13c.2. 1%-10%	17	34%	
		13c.3. 10%-20%	11	22%	
		13c.4. 20%-30%	2	4%	
		13c.5. 30%-40%	1	2%	
		13c.6. 40%-50%	0	0%	
		13c.7. 50%-60%	0	0%	
		13c.8. 60%-70%	0	0%	
		13c.9. Over 70%	0	0%	
		13c.10. N/A	14	28%	
III	Auditor selection process				
14	Did either of the following occur during the reference period: - appointment of (a) new statutory auditor(s)/audit firm or - reappointment of the previous statutory auditor(s)/audit firm after a tendering process was performed? (Art 16.3 of AUR)?	14.0. Total	50	100%	
		14.1 No	31	62%	
		14.2 Appointment of a new statutory auditor(s)	6	12%	
		14.3 Reappointment of the previous statutory auditor(s) after a tendering process was performed	13	26%	

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14a	Why did the entity commence an auditor selection process?	14a.0. Total	19	100%	
		14a.1 Legal obligation for rotation / expiration of maximum duration	9	47%	
		14a.2 Not satisfied with current auditor because of audit quality issues		0%	
		14a.3 Not satisfied with current auditor because of statutory audit costs	1	5%	
		14a.4 Other (please specify)	9	47%	
14b	If a new statutory auditor(s)/audit firm was appointed how long had the previous auditor been in place?	124b.0. Total	6	100%	
		14b.1 1-5 years	6	100%	
		14b.2. 6-10 years		0%	
		14b.3. 11-15 years		0%	
		14b.4. 16-20 years		0%	
		14b.5. More than 20 years		0%	
	<u>As part of the auditor selection procedure:</u>	-			
15	What tasks did the audit committee undertake as part of the selection procedure?	15.0. Total	19		
		15.1. No involvement (please explain)	0	0%	

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	(Art 16.3 of AUR) (please use the comments box to provide further detail)	15.2. Preparing/validating a list of auditors to send the tender documentation to	4	21%	
		15.3. Organising for potential candidates, prior to the presentation of bids, visits or exchanges so that candidates had sufficient information in which to submit an adequate proposal	3	16%	
		15.4. Preparing/reviewing tender documentation	8	42%	
		15.5. Preparing/reviewing selection criteria	10	53%	
		15.6. Conducting an interview with the shortlisted candidates, before the issuance of recommendations, and the identification of the preferential choice	4	21%	
		15.7. Evaluating the proposals	13	68%	
		15.8. Review of the analysis of the proposals prepared by the management	9	47%	
		15.9. Providing a recommendation based on the assessment of the offers	16	84%	
		15.10. Presentation of the results of the tender to the general meeting	1	5%	
		15.11. Other	4	21%	
16	How many statutory auditors/ audit firms were invited to participate in the tender? (Art 16.3 of AUR)?	16.0. Total	19	100%	
		16.1. 1	2	11%	
		16.2. 2-3	4	21%	

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		16.3. 4-7	9	47%	
		16.4. 8-15	1	5%	
		16.5. +15	3	16%	
17	Did the entity make public the (request for) tender to allow non-invited statutory auditors/audit firms to participate?	17.0. Total	19	38%	
		17.1. Yes	6	12%	
		17.2. No	13	26%	
17a	If yes, how did the entity make public the request for tender? (please use the comments box to provide further detail)	17a.0. Total	6		
		17a.1 Publication on company website		83%	
			5		
		17a.2 Publication on third party website for tenders		17%	
			1		
		17a.3 Publication in an official publication		17%	
			1		
		17a.4 Publication in a newspaper	3	50%	
		17a.5 Other means (please explain)		17%	
			1		
		17a.6 N/A		0%	
18	How did the audit committee ensure that smaller statutory auditors/audit firms (with less than a 15% share of PIE audit fee income in the member state) were not prevented from	18.0. Total	19	100%	
		18.1. Used the Article 16.3 (Regulation 537/2014) listing of auditors from the Regulator website	2	11%	
		18.2. Specifically targeted smaller firms in the request for tender	1	5%	
		18.3. Sent to selected audit firms	7	37%	

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	participating? (Art 16.3a of AUR)	18.4. Did not give any specific consideration to the requirement	9	47%	
19	How was the tender documentation communicated by the entity?	19.0. Total	19		
		19.1. Made publicly available	7	37%	
		19.2. Sent to selected audit firms - Big 4 only		0%	
		19.3. Sent to selected audit firms	13	68%	
20	What information about the entity was provided to the statutory auditor(s)/audit firm(s) as part of the tender process? (Art 16.3.b) of AUR) (please use the comments box to provide further detail)	20.0. Total	19		
		20.1. Latest financial statements	12	63%	
		20.2. Internal structure and organisation of the entity		53%	
			10		
		20.3. Group structure and locations		58%	
			11		
		20.4. Other (please specify)		37%	
			7		
20a	Did the sitting auditor receive the same information as the other statutory auditor(s)/audit firm(s) taking part in the tender process?	20a.0. Total	19	100%	
		20a.1. Same level of information	17	89%	
		20a.2. More information		0%	
		20a.3. Less information		0%	
		20a.4. N/A, sitting auditor did not submit a tender	2	11%	
21	How many statutory auditors/audit firms finally submitted a proposal? (Art 16.3 of AUR)	21.0. Total	19	100%	
		21.1. 1	2	11%	
		21.2. 2-3	7	37%	
		21.3. 4-7	10	53%	

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		21.4. 8-15		0%	
		21.5. +15		0%	
22	What were the selection criteria used by the audit committee to evaluate the proposals made by the auditors? What were their respective weightings? (please use the comments box to provide further detail)	22.0. Total	19		
		22.1. Competence, technical knowledge and experience of the team in charge of the file and especially that of the key audit partner	17	89%	
		22.2. Industry specific knowledge / experience	12	63%	
		22.3. Independence, objectivity and professional scepticism	15	79%	
		22.4. Technological support tools	3	16%	
		22.5. Results of the reviews carried out by the national competent authority on the respective audit firm	2	11%	
		22.6. Extent of the international coverage of the audit network	3	16%	
		22.7. Fee Level	15	79%	
		22.8. Audit Quality Indicators defined by the statutory auditor/audit firm		0%	
		22.9. Audit Quality Indicators defined by regulators	2	11%	
		22.10. Other	6	32%	
23	Were the proposals received shortlisted by an ad-hoc committee (e.g. sub-committee of the audit committee) prior to their examination by the audit committee?	23.0. Total	19	100%	
		23.1. Yes	2	11%	
		23.2. No	17	89%	
24	How many choices (number of statutory auditors/audit	24.0. Total	19	100%	
		24.1. 0	0	0%	

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	firms) did the audit committee recommend to the administrative or supervisory body of the audited entity for appointment? Art 16. 3 of AUR	24.2. 1	7	37%	
		24.3. 2	11	58%	
		24.4. 3	1	5%	
		24.5. 4	0	0%	
		24.6. >4	0	0%	
24b	Please indicate how many open auditor positions were available in the case of joint audit tender	24a.0. Total	4	100%	
		24a.1. 1	1	25%	
		24a.2. 2	0	0%	
		24a.3. 3	1	25%	
		24a.4. 4	2	50%	
		24a.4. NA	11		
25	How did the audit committee arrive at a duly justified preference for one statutory auditor/audit firm? (please use the comments box to provide further detail)	25.0. Total	19		
		25.1. Review of all candidates proposal documentation	16	84%	
		25.2. Interviews/presentations with/from candidates	9	47%	
		25.3. Review of recent findings from audit regulators	2	11%	
		25.4. Validation of references	7	37%	
		25.5. Review of media coverage of the candidate	8	42%	
		25.6. Other	4	21%	

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25a	If a preference was not arrived at, what were the reasons why the audit committee did not express a duly justified preference for one candidate? (please use the comments box to provide further detail)				
26	Did the proposal to the general meeting made by the administrative or supervisory body follow the recommendation of the audit committee?	26.0. Total	19	100%	
		26.1. Yes	12	63%	
		26.2. No	7	37%	
27	Did the audit committee assess whether the entity was able to demonstrate, upon request, to the relevant competent authority that the selection procedure was conducted in a fair manner? (Art 16.3.f) of AUR)	27.0. Total	19	100%	
		27.1. Yes	15	79%	
		27.2. No	4	21%	
27a	If yes, how did the audit committee assess whether the entity was able to demonstrate, upon request, to the relevant competent authority that the selection procedure was conducted in a fair manner? (please use the comments box to provide further detail)				

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28	How did the audit committee evaluate the impact of auditor rotation? (please use the comments box to provide further detail)	28.0. Total	19		
		28.1. Too early to make an assessment on auditor rotation	5	26%	
		28.2. Neutral assessment, nothing in particular to note	6	32%	
		28.3. Positive assessment in terms of a new audit approach and new auditor perspective		0%	
		28.4. Negative assessment in terms of a new audit approach and new auditor perspective		0%	
		28.5. Positive assessment in terms of an improvement in audit quality	1	5%	
		28.6. Negative assessment in terms of an improvement in audit quality	1	5%	
		28.7. Negative assessment in terms of knowledge of the client		0%	
		28.8. Positive assessment in terms of knowledge of the client	1	5%	
		28.9. Assessment not made at this time	1	5%	
		28.10. Other comments (please explain)	4	21%	
28a	What were the indicators/metrics used by the audit committee to support this assessment? (please use the comments box to provide further detail)				

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IV	Monitoring of the audit				
29	How many times during the reference period did the audit committee meet the statutory auditor(s)/audit firm (for example to monitor the execution of the audit plan and/or discuss of any significant transactions/issues or changes in the business)? Please indicate separately the number of meetings attended where management were present. (Art 39.6d of AUD)	29.0.a Total (Meetings with management present)	50	100%	
		29.1. Never	5	10%	
		29.2. Once	11	22%	
		29.3. Twice	12	24%	
		29.4 Three times	10	20%	
		29.5. Four times	4	8%	
		29.6. More than 4 times	8	16%	
		29.0.b Total (Meetings without management present)	50	100%	
		29.1. Never	18	36%	
		29.2. Once	11	22%	
		29.3. Twice	12	24%	
		29.4 Three times	5	10%	
		29.5. Four times	1	2%	
		29.6. More than 4 times	3	6%	
30	Did the audit committee consider the inspection findings (if any) and conclusions made by national competent authorities (audit regulators) during their last inspection of the statutory auditor(s)/or audit firm? (Art 39.6d of AUD)	30.0. Total	50	100%	
		30.1. Did not enquire as to whether findings were available	14	28%	
		30.2. No findings report was available	25	50%	
		30.3. The audit committee did not have access to a findings report	3	6%	
		30.4. A copy of the findings report was received	8	16%	
30a		30a.0. Total	8		

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	If applicable, how did the audit committee take into account the findings (if any) and conclusions made by national competent authorities during their last inspection of the statutory auditor(s)/or audit firm?(please use the comments box to provide further detail)	30a.1. Obtained information from the auditor in relation to the action plan to address those findings, containing both the measures and deadlines	3	38%	
		30a.2. Made follow-up actions in order to obtain information on the implementation degree of the measures included in the action plan	1	13%	
		30a.3. Obtained evidence from the auditor of the measures implemented	1	13%	
		30a.4. Other	3	38%	
30b	Where an inspection of the audit of the entity was undertaken by the National Competent Authority, where permitted in your jurisdiction, was the audit committee involved in any aspect of the inspection?	30b.0. Total	0		
		30b.1. Yes			
		30b.2. No			
		30b.3. Audit committee participation not permitted			
		30b.4. N/A			
31	Did the audit committee discuss with the statutory auditor(s)/audit firm key matters arising from the statutory audit, in particular significant deficiencies in the audited entity's or, in the case of consolidated financial statements, the parent undertaking's internal financial control system and/or in the accounting system? (Art 11 of AUR)	31.0. Total	50	100%	
		31.1. Yes	50	100%	
		31.2. No		0%	

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32	How did the audit committee monitor the performance of the statutory audit of the annual and consolidated financial statements of the entity? (please use the comments box to provide further detail) Art 39.6.d) of AUD	32.0. Total	50		
		32.1. By questions raised by the audit committee with auditors during the course of the audit	42	84%	
		32.2. By performing a critical analysis of the documents provided by the auditor	26	52%	
		32.3. By assessing the audit work program	27	54%	
		32.3. By assessing the level of materiality defined by the auditors	29	58%	
		32.3. By challenging the risks identified by the auditors	19	38%	
		32.4. Other	3	6%	
33	Did the audit committee make a formal assessment of audit quality?	33.0. Total	50	100%	
		33.1. Yes	23	46%	
		33.2. No	27	54%	
33a	If yes, which criteria/metrics or other elements were used by the audit committee to assess audit quality? (please use the comments box to provide further detail)	33a.0. Total	23		
		33a.1. Quality of communications	21	91%	
		33a.2. Assessment of audit engagement team	21	91%	
		33a.3. Use of technology	6	26%	
		33a.4. Degree of auditor challenge	8	35%	
		33a.5. Technical expertise displayed by audit team	9	39%	
		33a.6. Amount of time spent on the statutory audit by the partner/senior audit management	5	22%	
		33a.7. Amount of time spent on the statutory audit by the Engagement Quality Control Reviewer	3	13%	
		33a.8. Level of audit training hours	1	4%	

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		33a.9. Review of auditor's own internal quality control metrics	9	39%	
		33a.10. Other		0%	
33b	Which specific tools were used by the audit committee to assess audit quality? (please use the comments box to provide further detail)	33b.0. Total	23		
		33b.1. Internal questionnaires (with management/internal audit)	7	30%	
		33b.2. External auditor questionnaires	1	4%	
		33b.3. NCA inspection reports	1	4%	
		33b.4. Other	14	61%	
V	Monitoring of the financial reporting process				
34	How did the audit committee monitor the effectiveness of the entity's internal quality control and risk management systems and, where applicable its internal audit function regarding the financial reporting of the audited entity? (Art 39.6c of AUD) (please use the comments box to provide further detail)	34.0. Total	50		
		34.1. Interviews/Meetings with Heads of Function	35	70%	
		34.2. Review of internal audit reports	22	44%	
		34.3. Commissioning external consultant reviews	1	2%	
		34.4. Discussions with the auditor	38	76%	
		34.5. Other (please specify)	10	20%	

Source: data from Financial Supervision Authority

Summary

Although the Report on monitoring the market for audit services provided by statutory auditors and audit firms and the activities of audit committees, conforming with the CEAOB methodology, is prepared every 3 years, the Agency monitors the market on an ongoing basis. The results of work in this area are also the subject of numerous publications available on PANA's website²⁰.

Regarding the market for statutory auditors and audit firms, including its concentration, it should be noted that:

- There were 5.2 thousand statutory auditors in Poland at the end of 2021, but the profession is practised by about half of them, i.e. 2.7 thousand. Nearly 1.4 thousand audit firms²¹ operate on the market (**see pages 9-11**);
- Due to different regulatory regimes on the market, we can distinguish between audit firms that perform statutory audits of financial statements of public interest entities²² (in addition to providing services to non-PIEs) and those that do not provide statutory audit services to entities with the status of PIEs. In 2021, only 67²³ of nearly 1,400 total audit firms in Poland performed statutory audits for PIEs. These firms, together with the networks of which they are members, accounted for nearly 75% of revenues obtained from statutory audits (including 100% of audits of PIEs and 71% of audits of non-PIEs), where the total revenue amounted to PLN 774 million (**see pages 14-17**);
- On the market for statutory audits of PIEs' financial statements, both in general and when looking at individual sectors of PIEs, the so-called 'big four' of audit network firms (in alphabetical order: Deloitte, EY, KPMG and PwC) are dominant. Together, these four firms accounted for 61% of statutory audit revenues for PIEs generated in Poland in 2021. It should be noted that, individually, none of the Big Four networks has a dominant position in the statutory audit market if this is to be understood as exceeding 40%²⁴ of the market (**see pages 28-30**);
- An analysis focusing on the most important sectors of PIEs, i.e. listed companies, banks, insurance companies and other PIEs, shows in particular that two sectors are dominated by a small number of audit firms. This is true in the case of insurance and reinsurance companies as well as cooperative banks (**see pages 30-34**). This concentration has not diminished over the last few years despite the mechanism of

²⁰ www.pana.gov.pl

²¹ In 2021, no audit firms from another Member State or audit entities from third country were registered in Poland. In 2022, there has been one entity entered in the list of third country audit entities so far: an entity from the United Kingdom (PricewaterhouseCoopers LLP). Further information on this is available (in Polish) on the following website: <https://pana.gov.pl/komunikaty/lista-jednostek-audytorskich-z-panstw-trzecich/>

²² The definition of the term "public interest entity" (PIE) in Poland is explained in more detail in the chapter "Market concentration levels in Poland" (see page 6).

²³ Every year the Agency publishes a listing of audit firms which have audited PIE during the previous year. For the year 2021 this listing can be found on the website: <https://pana.gov.pl/wp-content/uploads/2022/05/Wykaz-firm-audytorskich-JZP-2021-%E2%80%94-aktualizacja.pdf>.

²⁴ According to the Act on Competition and Consumer Protection of 16 February 2007, a dominant position is a position of an entrepreneur that enables him or her to prevent effective competition on the relevant market by making it possible for him or her to act, to a significant extent, independently of his or her competitors, counterparties and consumers; it is presumed that an entrepreneur has a dominant position if his or her share in the relevant market exceeds 40%.

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mandatory rotation of the network of firms performing statutory audits of PIEs introduced by Regulation No. 537/2014 and the Act on Statutory Auditors. As in most EU²⁵ countries, in Poland there is no statutory obligation for any entity to have joint audits performed for it, i.e. to engage more than one audit firm to audit its financial statements. Although there are regulations allowing such audits, the practice does occur, but it is not frequent (see page 20).

Regarding quality of financial statements audit, it should be noted that, in Poland, audit firms are subject to, among others, planned inspections with regard to their financial audit services. The Agency has conducted the first two cycles of planned inspections of audit firms auditing PIE and non-PIE, but at this stage it is too early to comment on the gravity of deficiencies found and their impact on the audit market in Poland as a whole. However, on the basis of the findings of the planned inspections carried out in the audit firms auditing PIE, it seems that, although the overall quality of the internal control system in about one-fifth of firms inspected indicated systemic weaknesses, none of these deficiencies were systemic in nature (see pages 35-43).

Regarding audit committees, it should be noted that (see pages 44-81):

- In Poland, the activity of audit committees is monitored by the Polish Financial Supervision Authority which on the basis of a questionnaire common to all EU Member States, conducted a survey among a selected group of audit committees (50 respondents);

- In general (but with possible exceptions), from the data obtained from the selected group of audit committees, one can conclude that the PIEs and audit committees operating within them have, in principle, complied with the legal requirements regarding the establishment, composition and tasks of audit committees. On the basis of the information provided, these audit committees appear to be performing their tasks adequately.

Note: A full assessment of the statutory auditors and audit firms market and audit committees activity in 2021 may be affected by the outcome of administrative and disciplinary proceedings not completed as of the date of this report.

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²⁵ The few exceptions include France, Bulgaria and Croatia.

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