
REPORT ON MONITORING THE MARKET FOR AUDIT SERVICES PROVIDED BY STATUTORY AUDITORS AND AUDIT FIRMS IN 2023



WARSAW, JUNE 2024

MARKET MONITORING REPORT ON SERVICES PROVIDED
BY STATUTORY AUDITORS AND AUDIT FIRMS FOR 2023

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1. Introduction

1.1. About the Agency

The Polish Agency for Audit Oversight is a competent authority within the meaning of Article 2(10) of Directive 2006/43/EC¹ and Article 88(2) of the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 (Journal of Laws of 2023, item 1015, as amended), which is *a body designated by law, entrusted with supervising statutory auditors and audit firms or of specific aspects thereof*.

The Agency's mission is to **exercise public oversight over statutory auditors, audit firms and the professional body of auditors**. The Agency aims to ensure that statutory auditors carry out audit and assurance services other than statutory audit and related services in a proper manner. The Agency carries out its mission based on expertise and experience, proven methodology and international standards. The Agency's bodies are the President of the Agency and the Agency Council.

The **PANA's independence** is related, among other things, to the entrenchment of its activities in European Union laws and regulations and to the funding of its activities from supervision fees paid by audit firms.

The main principles followed by the Agency are as follows:

- acting in the public interest;
- caring for education, dialogue and communication with all stakeholders interested in enhancing the credibility of financial reporting;
- acting within the scope and with the use of measures strictly defined by law;
- carrying out systemic (long-term) and ad hoc (in response to emerging threats) actions: prevention, monitoring, control, stimulating change (including in laws)²;
- ensuring fair and clear operating conditions to all statutory auditors and audit firms;
- ensuring clarity and transparency of operations wherever possible (while protecting confidential information from disclosure).

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 These actions are performed within the limits of the applicable law and aim at responding appropriately and in a timely manner to signals from the market about negative trends, if any, impediments or barriers to the provision of services of the highest quality by statutory auditors and audit firms.

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1.2 About the Report

This Report is drawn up by the Agency as part of its operating objectives³ and complements the fulfilment of obligations under Regulation 537/2014⁴, according to which national reports are to be prepared by competent authorities in the EU in order to compile a common aggregate report on developments in the market for providing statutory audit services to public-interest entities. According to the Regulation, such a report should be issued every three years.

Since the establishment of this obligation, three reports have been drawn up on the monitoring of the national market for services provided by statutory auditors and audit firms and on the activities of audit committees: in 2016⁵, 2019⁶ and 2022⁷ (for the years 2015, 2018 and 2021 respectively). The first two were drawn up by the Audit Oversight Committee, the predecessor of the Agency. The report for 2021 was prepared by the Polish Agency for Audit Oversight.

Market monitoring reports are a valuable source of information about the market for services provided by statutory auditors and audit firms, and their publication is welcomed by many stakeholders. Considering the relevance of this type of study, the Agency has decided, as in the previous year⁸, to draw up an additional market monitoring report for 2023 for national purposes. This is an independent initiative of PANA, as under EU regulations it shall publish a market monitoring report on services provided by statutory auditors and audit firms in 2025 (for 2024).

The scope of the report follows from the provisions of Article 27(1) of the aforementioned Regulation:

³ See also: Polish Audit Oversight Agency Action Plan 2024: <https://pana.gov.pl/wp-content/uploads/2023/12/Uchwala-nr-48.I.2023-Plan-dzialania-PANA-2024-r.pdf>

⁴ According to Article 27(2) of 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, each competent authority shall draw up a report on developments in the market for providing statutory audit services to public-interest entities at least every three years.

⁵ The report on developments in the market for providing statutory audit services to public-interest entities in Poland, published in 2016: https://mf-arch2.mf.gov.pl/c/document_library/get_file?uuid=e90365eb-fb34-4a5e-8eb8-0f3d567a6dc9&groupId=764034.

⁶ Report on monitoring market of audit services provided by statutory auditors and audit firms and activities of audit committees, published in 2019: <https://www.gov.pl/web/finanse/sprawozdania-z-monitorowania-rynku>.

⁷ Report on monitoring the market for audit services provided by statutory auditors and audit firms and activities of audit committees for 2021, published in 2021: <https://pana.gov.pl/wp-content/uploads/2023/03/National-Market-Monitoring-Report-2021-Extended-Version.pdf>.

⁸ Report on monitoring the market for audit services provided by statutory auditors and audit firms in 2022, published in 2022: <https://pana.gov.pl/wp-content/uploads/2023/12/ENG-2023-Sprawozdanie-MM-2022-Wersja-angielska.pdf>.

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1) The competent authorities designated under Article 20(1) and the European Competition Network⁹, 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 network¹⁰, 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).

Table 1 Reports on monitoring the market for audit services provided by statutory auditors and audit firms and activities of audit committees in Poland and Reports on monitoring the market for audit services provided by statutory auditors and audit firms in Poland

AUTHORITY RESPONSIBLE	Year in which the report is published	Year for which the report is published	Type of report:
Audit Oversight Committee	2016	2015	Mandatory (Article 27(2) of EU Regulation No. 537/2014)
Audit Oversight Committee	2019	2018	Mandatory (Article 27(2) of EU Regulation No. 537/2014)
Polish Agency for Audit Oversight	2022	2021	Mandatory (Article 27(2) of EU Regulation No. 537/2014)
Polish Agency for Audit Oversight	2023	2022	Voluntary (initiative of PANA)
Polish Agency for Audit Oversight	2024	2023	Voluntary (initiative of PANA)

⁹ 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.

¹⁰ According to the Act on Statutory Auditors, 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 resource.

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Source: own study.

This Report is based on the methodology and indicators developed together with other European audit oversight bodies within the Committee of European Auditing Oversight Bodies (CEAOB), making the data presented herein comparable in each period of the three-year cycle: both for the years for which the preparation of the report is strictly regulated by EU laws and for other periods. The Agency avoids thus making major changes to the content and form of the information presented. In this report, as in the last year's edition, no reference has been made to the assessment of or indicators on the performance of audit committees operating as part of public-interest entities. Conclusions on this aspect of the functioning of the financial markets, made in cooperation with the Polish Financial Supervision Authority (whose statutory task is to supervise audit committees), have been and will continue to be published in reports, the preparation of which is required under Regulation 537/2014 (i.e. every three years). The most recent conclusions on the operation of audit committees have been presented in the Reports on monitoring the market for audit services provided by statutory auditors and audit firms for 2021.

Simultaneously, it should be emphasised that a full assessment of the market for services provided by statutory auditors and audit firms in 2023 may be affected, among other things, by administrative and disciplinary proceedings other than those included in the report and by those which at the publication are still pending.

The document presents key market monitoring indicators and is divided into two main sections:

- Section 1 which includes **indicators of market size, structure and concentration;**
- Section 2 which includes **indicators of audit quality risks.**

Since the publication of last year's PANA market monitoring report, there have been no changes to the methodology or definitions of the indicators presented. However, as compared to earlier editions of the report, such changes have occurred; therefore, a direct comparison with data for earlier periods may have to be analysed in more detail. Where possible, additional comparative data and supplementary explanations have been provided. This report contains information as at 25 June 2023 (unless otherwise stated).

This study does not compare the market for services provided by auditors and audit firms in Poland to that in other countries, as this was not the purpose hereof¹¹.

¹¹ Information on developments in the EU market for the statutory audit services provided to public-interest entities is presented in the European Commission reports published every three years. The last such report for 2019-2021 was published in 2024 (available in Polish at: <https://data.consilium.europa.eu/doc/document/ST-8738-2024-INIT/pl/pdf>).

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List of abbreviations and acronyms

Agency or PANA	Polish Agency for Audit Oversight
AML	Anti-Money Laundering and Counteracting Terrorism Financing regulations, in particular, the Act on Anti-Money Laundering and Countering the Financing of Terrorism of 1 March 2018 (Journal of Laws of 2023, item 1124, 1723 and 1843)
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 carried out under Article 64 of the Accounting Act of 29 September 1994 (Journal of Laws of 2023, item 120, as amended), provisions of other laws or provisions of EU laws, carried out in accordance with national auditing standards
SA	Statutory auditor
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 (O J EU L.2006.157.87)
CSRD	Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (O J L 322, 16.12.2022, p. 15-80)
AF	Audit firm
PIE	Public-interest entity within the meaning of the Act on Statutory Auditors
AC	Audit committee
CEAOB	Committee of European Auditing Oversight Bodies (CEAOB)
KSB	National Standards on Auditing (collectively), National Standard on Auditing (followed by a number – a single standard),
KSKJ, KSKJ1	National Standards on Quality Control, National Standard on Quality Control 1
Non-PIE	Entity other than a public-interest entity
PIBR	Polish Chamber of Statutory Auditors
Regulation No. 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 (O J L.2014.158.77)

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FS	Financial statements
CFS	Consolidated financial statements
EU	European Union
Act on Statutory Auditors, Act or UoBR	Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 (Journal of Laws of 2023, item 1015, as amended)
ZRBS	Audit Association of Cooperative Banks

2 Market concentration levels in Poland

Market concentration levels in Poland are presented two cross-sections. Subsection II.1. *Audit Market Structure* presents quantitative data for the entire market, and Subsection II.2. *Major Market Players*¹² *Auditing PIEs and their Market Shares* presents selected figures for individual networks of audit firms that audit PIEs, as the largest networks in Poland and in the European Union.

The definition of a public-interest entity, according to the Polish Act on Statutory Auditors, includes a wider broader catalogue of entities than the minimum specified in Article 2(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;*
- b. credit institutions as defined in point 1 of Article 3(1) of Directive 2013/36/EU of the European Parliament and of the Council¹³, other than the institutions 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, Directive 2006/43/EC also indicates the possibility for Member States to extend the catalogue of public-interest entities to include entities considered by them to be *of substantial public interest because of the nature of their activities, their size or the number of their employees*. The Polish legislator made use of this opportunity and extended the definition¹⁴ of a public-interest entity by including in therein, the following entities:

- a. issuers of securities admitted to trading on a regulated market of a European Union country, having their registered office in the territory of the Republic of Poland, whose financial statements are subject to statutory audit;*
- b. domestic banks, branches of credit institutions and branches of foreign banks within the meaning of the Banking Law Act of 29 August 1997 (Journal of Laws of 2022, item 2324, as amended);*

¹² The term 'market player' has the meaning as defined in the CEAOB methodology. In the context of Polish regulations, this term refers to an audit firm.

¹³ 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).

¹⁴ Article 2 para. 9 of the Act on Statutory Auditors.

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- c. *insurance and reinsurance undertakings and main branches and subsidiaries of insurance and reinsurance undertakings within the meaning of the Act on Insurance and Reinsurance Activities of 11 September 2015 (Journal of Laws of 2023, item 656, as amended);*
- d. *electronic money institutions and domestic payment institutions within the meaning of the Act on Payment Services of 19 August 2011 (Journal of Laws of 2022, item 2360, as amended, and Journal of Laws of 2023, item 1723 and 2640) meeting the criteria of a large entity;*
- e. *open-ended pension funds, non-compulsory pension funds and general pension fund companies within the meaning of the Act on the Organisation and Operation of Pension Funds of 28 August 1997 (Journal of Laws of 2023, item 930 and 1941).*
- f. *open-ended investment funds, specialised open-ended investment funds and public closed-ended investment funds within the meaning of the Act of 27 May 2004 on Investment Funds and Management of Alternative Investment Funds (Journal of Laws of 2023, item 681, as amended);*
- g. *fund management companies¹⁵ within the meaning of the aforementioned Act, which at the end of a given financial year and at the end of the financial year preceding the given financial year managed assets of no less than PLN 10,000,000,000 and which managed funds with a total of no less than 30,000 registers open to participants;*
- h. *entities conducting brokerage activities which at the end of a given financial year and at the end of the financial year preceding the given financial year held on the accounts of their clients' assets worth no less than PLN 10,000,000,000 or managed assets worth no less than PLN 10,000,000,000, and simultaneously had a minimum of 10,000 clients, excluding entities conducting operations solely within the scope of accepting and transferring instructions for purchase or sale of financial instruments or within the scope of investment advice services within the meaning of the Act on Trading in Financial Instruments of 29 July 2005 (Journal of Laws of 2023, item 646, as amended);*
- i. *cooperative savings and credit unions within the meaning of the Act on Cooperative Savings and Credit Unions of 5 November 2009 (Journal of Laws of 2023, item 1278, as amended), meeting the criteria of a large entity.*

In accordance with the market monitoring methodology developed by CEAOB, the six categories of entities listed in points d. to i. above, recognised in Poland as public-interest entities under the previously mentioned right resulting from Directive 2006/43/EC, allowing Member States to extend the definition to these additional categories, will be collectively referred to as the “**national PIEs**” herein.

¹⁵ According to Article 2 para. 3 of the Act on Investment Funds and Management of Alternative investment funds of of 27 May 2004, 3 the term “company” has the meaning of an investment fund company limited by shares.

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2.1. Audit market structure

Please find below the selected data on the audit market of financial statements in Poland. This data relates not only to the statutory audits of PIEs, but also reveals a wider range of services provided by statutory auditors and audit firms.

Table 2. Market structure as at 31 December 2023, including comparative data

Item	Category	Source	Data as at 31/12/2023 or for a calendar year ending on this day	Data as at 31/12/2022 or for a calendar year ending on this day	Remarks – Observations	Change in value	Change as %
1	Registered statutory auditors (natural persons)	1.0. Total number	4,948	5,070		-122	-2
		1.1. Of which number of practising registered SAs (natural persons carrying out a statutory audit engagement)	2,570	2,663	A number of SAs who declared to the PIBR that they practice as SAs	-93	-3
		1.2 Of which, the number of practising registered SAs (natural persons carrying out statutory audit engagement) auditing PIEs	236	253		-17	-7
2	Registered statutory auditors employed by or associated with the audit firm as partners or otherwise	Information from the Agency's databases	3,505	3,419	Registered SAs employed by or associated with AFs as partners or otherwise	86	3

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Item	Category		Source	Data as at 31/12/2023 or for a calendar year ending on this day	Data as at 31/12/2022 or for a calendar year ending on this day	Remarks – Observations	Change in value	Change as %
3	Registered audit firms	3.0. Total number	Information from the Agency's databases	1,230	1,279		-49	-4
		3.1. Of which, the number of registered SAs who audit PIEs (carry out statutory audits of PIEs)		53	58		-5	-9
		3.2. Of which the number of registered SAs from other Member States, recognised in accordance with Article 3a of Directive 2006/43		1	1		No change	No change
4	Third-country statutory auditors registered in accordance with Article 45 of Directive 2006/43/EC	4.0. Total number	Polish Chamber of Statutory Auditors	113	116 ¹⁶		-3	-3
5	Third-country audit entities registered in accordance with Article 45 of	5.0. Total number	Information from the Agency's databases	1	1		No change	No change

¹⁶ The Polish Chamber of Statutory Auditors has updated the data on SAs originating from the UK who, prior to the UK's withdrawal from the European Union on 31 January 2020, were registered by the PIBR as approved SAs from another Member State, but after that date have been recognised as third-country SAs, registered in accordance with Article 45 of Directive 2006/43/EC. The presentation of data in last year's report did not reflect the change in status of these SAs.

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Item	Category		Source	Data as at 31/12/2023 or for a calendar year ending on this day	Data as at 31/12/2022 or for a calendar year ending on this day	Remarks – Observations	Change in value	Change as %
	Directive 2006/43/EC							
6	Statutory auditors approved from another Member State in accordance with Article 14 of Directive 2006/43	6.0. Total number	Polish Chamber of Statutory Auditors	0	0 ¹⁷		No change	No change
7	Statutory audits	7.0. Total number of the opinions issued on statutory audits ¹⁸	Information from the Agency's databases	32,808	31,256	If the single entity's separate financial statements and consolidated financial statements are audited, then each of these audits is shown separately.	1,552	5
		7.1.Of which number of audit engagements performed jointly (in case of joint audit)		6	5		1	20
8	Number of PIEs	8.0. Total number		1,197	1,230		-33	-3

¹⁷ See: Footnote 14.

¹⁸ Given the similarity with the CEAOB methodology, in which the term “audit opinion” is used, and the fact that the audit report contains a single auditor's opinion in relation to the financial statements, the number of opinions issued provided for in the report refers to the number of audit reports issued.

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Item	Category	Source	Data as at 31/12/2023 or for a calendar year ending on this day	Data as at 31/12/2022 or for a calendar year ending on this day	Remarks – Observations	Change in value	Change as %
	8.1. Of which listed companies (without listed banks and listed insurance companies)	Based on the PIBR data	368	366		2	1
	8.2. Of which non-listed banks		541	559 ¹⁹		-18	-3
	8.3. Of which listed banks		14	16 ²⁰		-2	-13
	8.4. Of which non-listed insurance companies		74	85		-11	-13
	8.5. Of which listed insurance companies		1	1		No change	No change

¹⁹ Compared to the previous edition of the report, the number of listed banks for 2022 has been adjusted on the basis of data received from the Polish Financial Supervision Authority, and it is 16 instead of 22. As a result of the foregoing, the value of the item presenting the number of non-listed banks for 2022 is 559, and not 553.

²⁰ See: Footnote 16.

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Item	Category	Source	Data as at 31/12/2023 or for a calendar year ending on this day	Data as at 31/12/2022 or for a calendar year ending on this day	Remarks – Observations	Change in value	Change as %
	8.6. Of which national PIEs		199	203		-4	-2

2.1.1. Multi-annual data

The selected figures as at the end of 2023 have been presented and discussed below in comparison with those for preceding periods for the purpose of illustrating changes taking place in the market in more detail.

Statutory auditors

At the end of 2023, there were 4,948 statutory auditors entered in the register kept by the Polish Chamber of Statutory Auditors. The number of statutory auditors over the last few years has been steadily declining. This phenomenon is of a global nature and has been going on for many years²¹. The total number of statutory auditors at the end of 2023, as compared to the end of 2022, has decreased by 122 persons, i.e. 2% over the year, and by 290 persons, i.e. almost 6% over the 2-year period. As compared to the end of 2012, i.e. Over an 11-year period the number of statutory auditors dropped by 2,156 persons, i.e. by more than 30%. Therefore, the annual decreases in the past year (by 122 SAs) and in the previous year (by 168 SAs) were lower than the average annual decrease over the past 11-year period (averaging 196 people).

Among persons holding the title of statutory auditor, the number of those declaring themselves to be practising statutory auditors (hereafter also referred as: practising auditors) totalled 2,570, which was more than half (52%) of all statutory auditors. In 2023, their number decreased by 93 people (82 in the preceding year). As compared to the end of 2022, the share of statutory auditors declaring themselves to be practising at the end of 2023 dropped (from 53% to 52%), while it has fluctuated around the level of 50% since 2018.

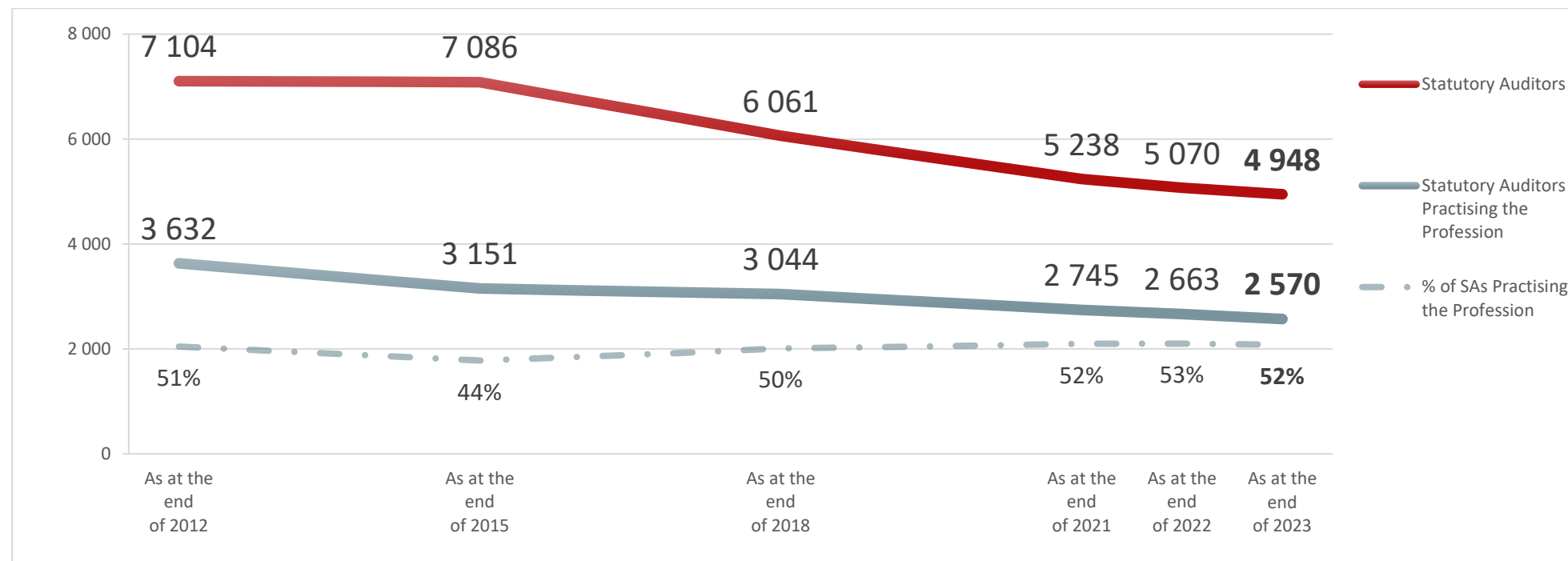
For this subgroup, there has been a slower decline in recent years than for auditors as a whole, but in 2023 the trend was different, with a decline of 3%, as compared to the decline of 2% for auditors as a whole. Over the 11-year period, i.e. as compared to the end of 2012, a decrease in the number of SAs declaring themselves to be practising was 29%, i.e. 1,062 people, so the last year's change was quite similar to the average decrease over that period (97 people per year).

²¹ For example: <https://eur-lex.europa.eu/legal-content/PL/TXT/HTML/?uri=CELEX:52021DC0029>
<https://www.wsj.com/articles/why-so-many-accountants-are-quitting-11672236016>
<https://www.ft.com/content/e8dc2264-6b8d-4ed5-8bbd-e4a67e7d1e46>

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The trends discussed above have been illustrated in Figure 1.

Figure 1. Number of statutory auditors, number of statutory auditors practising the profession and the share of practising statutory auditors in the total number of statutory auditors in Poland in specific years



Source: own compilation based on archival data of the Audit Supervision Committee (for 2018, 2015 and 2012) and on data of the Polish Chamber of Statutory Auditors (for 2021, 2022 and 2023).

The number of persons declaring to practise the profession at the end of 2023 was higher than the number of statutory auditors who prepared at least one statutory audit report in the past year; such SAs totalled 1,891 or 38% of the total number of SAs at the end of 2023. This phenomenon may result from the auditors' failure to update their data in the register kept by the PIBR. The number of statutory auditors who prepared at least one statutory audit report during the year has also decreased. In 2023, such SAs totalled 1,891 persons, which meant a decrease by 80 persons (i.e. 4%) in 2022 and 137 persons over the two-year period.

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The number of statutory auditors who issued at least one statutory audit report of a public interest entity during 2023 totalled 236 persons, i.e. 7% less than in the preceding year (a decrease by 17 persons). A decrease over the past 2 years was 9,2% (by 24 persons).

The number of registered statutory auditors employed by or associated with an audit firm as partners or otherwise was 3,505 persons at the end of 2023 and was higher by 3% (86 persons) than at the end of the preceding year.

In Poland, at the end of 2023, there were also 113 third-country statutory auditors entered in the register under Article 45 of Directive 2006/43/EC (as compared to 116 at the end of 2022; the decrease in 2023 is due to the deletion of three persons from the register).

In 2023, 209 deletions from the register of statutory auditors kept by PIBR became final (as compared to 253 deletions in 2022). In recent years, the reason for the highest number of deletions from the register has been the auditor's own requests. In 2023, 177 auditors, i.e. 85% of all the deletions authorised in that year, were deleted from the register for the aforementioned reason (by comparison, in 2022 such deletions totalled 205, i.e. 81% of all the deletions). Another most common reason for deletion from the register was the death of the statutory auditor registered, which affected 23 statutory auditors (11%), and the other 9 (i.e. 4%) deletions were caused both in 2023 and in 2022 for other factors. A significant proportion of those who have been deleted from the register of statutory auditors at their own request in recent years were persons entered in the register after 1 January 1995. Such persons may be re-entered to the register, without the qualification procedure, provided that no more than 10 years have passed since the deletion²². Simultaneously, 87 decisions on entering SAs in the register have become final in 2023.

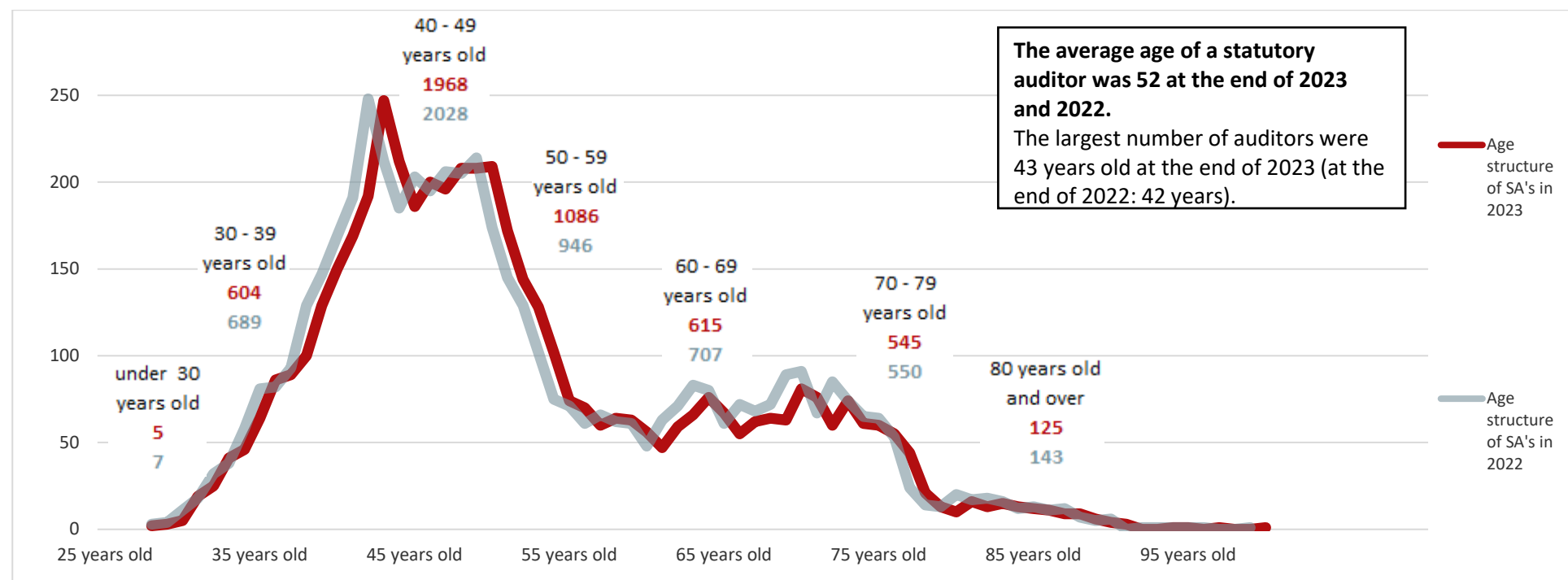
The SAs entered in the register of statutory auditors as at 31 December 2023 are on average 52 years old (which is the age slightly higher than that in the previous year). The average age of woman was close to 53 and that of men was 51. In contrast, the average age of SAs as at the date at which the decision on entering them in the register became final was 36 years²³, including 37 years for women and 35 years for men.

²² The fulfilment of specific requirements for the registration of such persons stems from Article 4(2) of the Act on Statutory Auditors.

²³ Please note that due to changes in the functioning of the profession of statutory auditor, a large group of former practitioners were added to the register in just one year (1992), and therefore the age of those in this group of auditors overestimated to some extent the average age at which the decision to add them to the register became final.

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Figure 2. Statutory auditors in Poland by age at the end of 2023 and 2022



Source: own study based on data of the Polish Chamber of Statutory Auditors.

Analysing the age of statutory auditors as at the date at which their entry in the register became final, it has been concluded that the largest number of SAs as at the end of 2023 were entered in the register at the age of between 30 and 39 (59%).

The agency has detected trends in the number of new statutory auditors joining the profession and in the scale and reasons for leaving it. At present, the decline in the total number of statutory auditors does not appear to have an adverse impact on the availability of audit firm services. This can be caused by the continuously increasing use of automated audit support tools and techniques and by the increased participation of experts and other persons that form part of the auditor-led audit teams (in particular, in large network audit firms).

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Upcoming changes in legislation will introduce new sustainability obligations in a not-too-distant time horizon, and these will be the reporting obligations of entities and the related certification obligations for sustainability reporting. Given the ongoing legislative process for the implementation of the provisions of the CSRD²⁴ into the Polish legislation²⁵, the demand for services provided by statutory auditors and audit firms is expected to increase in the coming years.

In terms of the number of auditors, natural market mechanisms such as an increase in fees due to an increase in demand for the services provided may encourage both potential candidates to become statutory auditors and those of statutory auditors who are not practising at the moment to start providing audit services. The auditor fees should reflect the labour intensity and complexity of the assignments commissioned, as well the qualifications required of statutory auditors and the liability they bear.

The downward trend could also be halted or even reversed by creating incentives and facilitating access to the profession. These could include, in particular, increasing opportunities to prepare for the profession of statutory auditor by way of allowing credit for knowledge examinations as part of an ongoing university-degree programme²⁶. In 2023, the Examination Board entered into an agreement with the second best university in Poland, after the University of Economics in Kraków, i.e. the University of Economics in Wrocław, and in 2024 the third-best university, i.e. with the University of Economics in Katowice, in order to introduce some measures to make the university examinations easier to pass at these universities as knowledge examinations within the dedicated fields of study. Such an education system can further contribute to the lowering of the average age of statutory auditors and to the improving of the level of financial literacy among students in general. It is also worth considering of whether the existing regulatory arrangements relating to the rules for carrying out the qualification procedure for statutory auditors need updating. In this context, PANA recognises the need for dialogue to be held and specific measures to be adopted by all the relevant institutions. A new, more innovative approach is needed to encourage the examination uptake and to remove existing barriers.

²⁴ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

²⁵ According to the draft law amending the Accounting Act, the Act on Statutory Auditors, Audit Firms and Public Supervision and certain other acts (UC14) <https://legislacja.gov.pl/projekt/12381804>, in Poland only statutory auditors and audit firms will be authorised to carry out certification of sustainability reporting.

²⁶ In accordance with Article 12 para. 3 of the Act on Statutory Auditors:

“If the university-degree programme in a given field, at a given level and of a given profile, as provided by a higher education institution authorised to confer a doctoral degree in economic sciences, includes knowledge in the area specified in Article 14, para. 1 and 2 [knowledge examination], and examinations in this area are conducted in written form, the Examination Board shall conclude with the higher-education institution, at its request, an agreement referred to in Article 61 of the Act on Law on Higher Education and Science of 20 July 2018 (Journal of Laws of 2022, item 574, as amended). The President of the Board is authorised to sign the agreement on behalf of the Board.”

According to Article 61 of the Act on Law on Higher Education and Science:

“1. A higher education institution may provide studies in cooperation with a professional licensing authority, a body conducting an examination as part of obtaining a professional licence, a professional self-government body, a business organisation or a registration body. The rules for cooperation in the conduct of studies are laid down in a written agreement.
2. The agreement may stipulate the participation of the entity referred to in para. 1 in the development of the study programme and the way in which apprenticeship training is to be carried out.”

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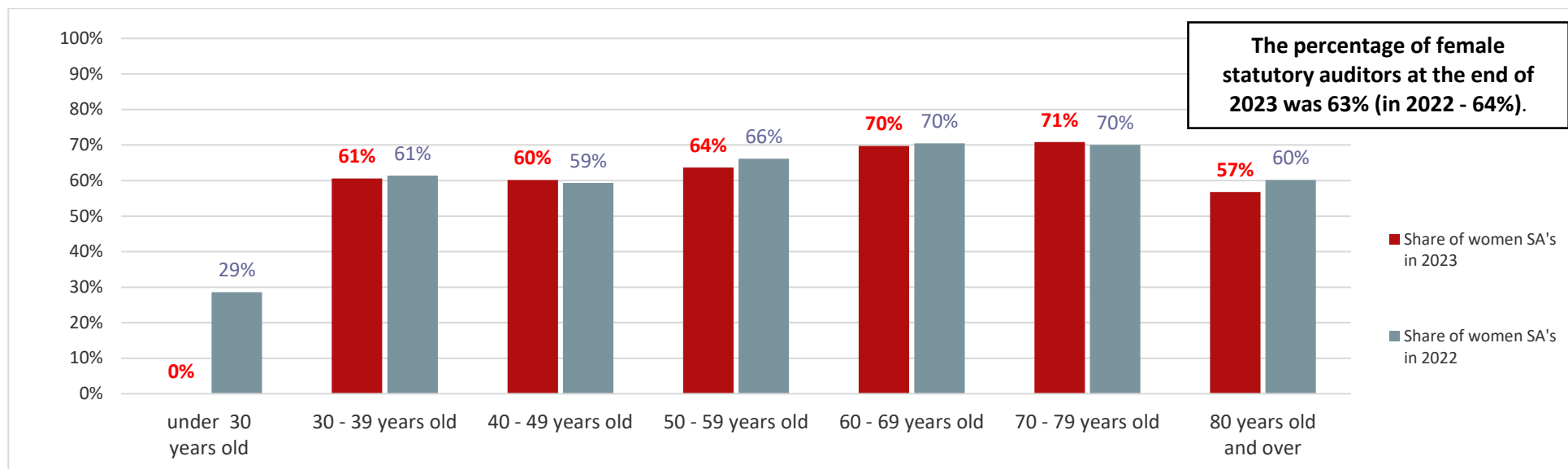
The number of practising auditors may also be increased by persons who, although qualified as auditors, are not practising. As non-practising statutory auditors must meet identical requirements for membership in the self-regulatory body of statutory auditors and must take part in mandatory professional training of specific duration each calendar year, the formal commencement of practising the profession by non-practising statutory auditors requires only a relevant statement to be submitted to the PIBR. Persons who have left the statutory auditors' self-government may also, as mentioned above, apply for being re-entered in the register of statutory auditors. Also, those who, despite fulfilling all the requirements necessary to be entered in the register of statutory auditors, have not joined the self-government body, and those who have fulfilled all the most time-consuming requirements, but failed only to take the oath, may, within a short time, take it, join the self-registry and, after the appropriate application, start practising their profession.

The majority of statutory auditors registered by the Polish Chamber of Statutory Auditors are women, who at the end of 2023 accounted for nearly 63% of members of the self-government of statutory auditors (as compared to 64% in the preceding year). It is worth noting that the feminisation rate of the auditing profession has only been subject to slight fluctuations in recent years. However, there are some differences between the different generations of statutory auditors. The feminisation of the profession is on average by several percentage points higher among statutory auditors aged 50 and over than among statutory auditors aged up to 50. It should be pointed out that figures for SAs under 30 and over 80 years old concern a fairly small and probably less representative group of people, i.e. respectively 5 (7 in 2022) and 125 persons (143 in 2022).

This has been illustrated in Figure 3.

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Figure 3. Feminisation of the profession in different age groups of statutory auditors in Poland at the end of 2023 and at the end of the preceding year



Source: own study based on data of the Polish Chamber of Statutory Auditors.

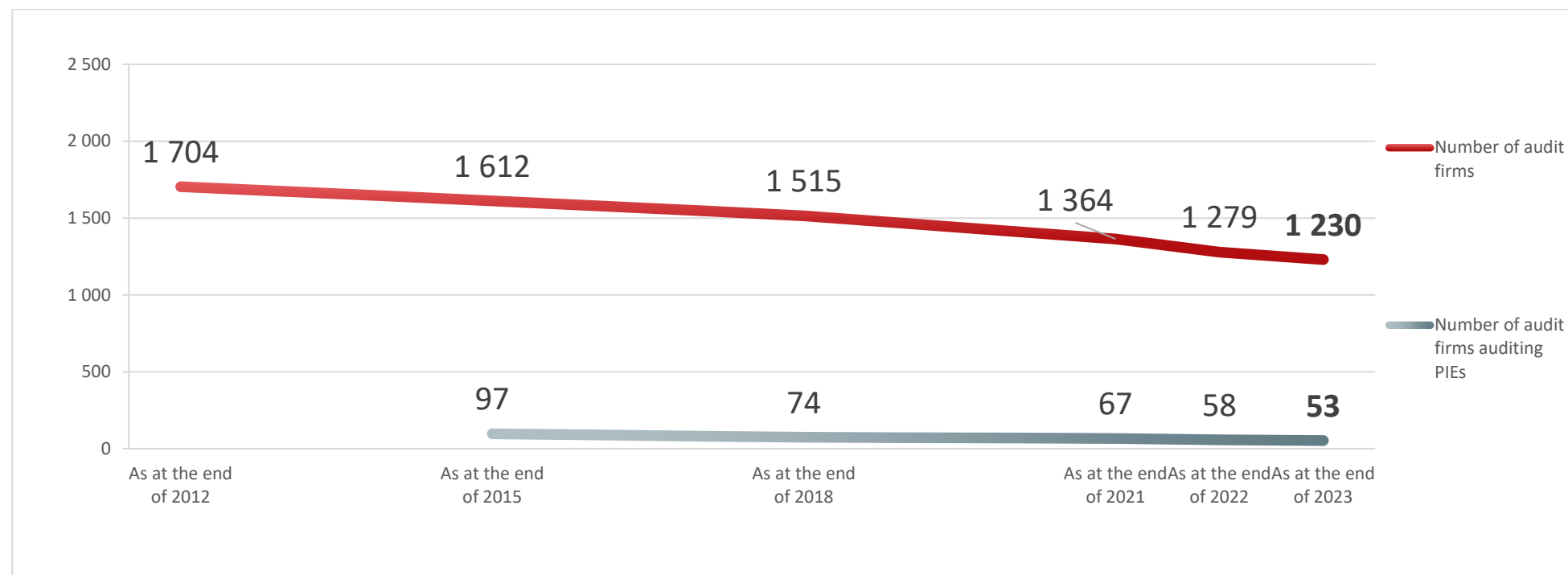
Audit firms

Number of audit firms

According to the provisions of the Act on Statutory Auditors, **statutory auditors perform the profession on behalf of audit firms**. At the end of 2023, there were 1,230 firms on the list of audit firms kept by the Agency. The total number of audit firms in 2023 decreased by 49 (nearly 4%), and in the last 2 years it dropped by 134 AFs (10%), and in the last 11 years by 474 AFs (or nearly 28%). This data is presented in Figure 4. The decline in the number of audit firms was partly due to the closure of audit firms and partly due to the mergers between smaller, often one-person audit firms with other firms. The phenomenon of consolidation should be assessed positively, as the synergy effect and the increased potential facilitate the fulfilment of regulatory and market requirements.

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Figure 4 Number of audit firms registered in Poland and number of audit firms that performed statutory audits of PIEs in specific years



Source: own compilation based on archival data of the Audit Supervision Committee (for 2018, 2015 and 2012) and on data of the Polish Chamber of Statutory Auditors (for 2021, 2022 and 2023), and

The vast majority of audit firms operated in one of the two legal forms, i.e. as a **limited liability company** (nearly 47% of AFs at the end of 2023) or as **business activities carried out by statutory auditors in their own behalf and for their own account** (over 45% of AFs). Audit firms in forms other than those listed above, as permitted under Article 46 of the Act on Statutory Auditors, accounted collectively for less than 8% of all the AFs on the list of audit firms at the end of 2023. The AFs operating in the form of corporate companies (limited liability companies and simple joint-stock companies) were 574 in 2023, an increase by 4 as compared to the previous year. This was the most common legal form of audit firms at the end of 2023. As the number of AFs operating as single-person business entities decreased by 44 entities, this form of business has lost its predominant position among the forms of business activities carried out by AFs. Entities carried out in this form were 559 at the end of 2023.

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In Poland, neither audit firms nor statutory auditors performing statutory audits on their behalf need any additional authorisation or certification for the purposes of carrying out statutory audits of public-interest entities. In 2023 there were 53 audit firms **performing statutory audits of public-interest entities**. As compared to the previous year, their number decreased by 5 entities (i.e. 9%), and the decrease was attributable, in particular, to the commencement of statutory audits of public-interest entities by 4 audit firms that did not provide such services in the previous year (including, an audit firm that forms part of a network along with another audit firm auditing public-interest entities in both 2023 and 2022) and to the discontinuation of the auditing of public-interest entities by 9 audit firms. 49 companies continued to audit public-interest entities both in 2023 and in 2022. In the past 2 years, the number of AFs that audited public-interest entities decreased by 14 (down by 21%), and in the past 8 years by 44 AFs (down by 45%). The average number of public interest entities per AF that carried out statutory audits of PIEs in 2023 was 22.6, which was higher than in previous years when it was 21.2 (in 2022), 20.6 (in 2021) and 20.5 (in 2015).

In other European countries, the average number of PIEs per AF performing audits of PIEs varied, amounting to 16.2 in Germany and 5.3 in France in 2021, for example, against the EU average of 14.8²⁷.

At the moment the Agency does not consider the decrease in the number of AFs auditing PIEs to be of major concern when compared with changes in other macroeconomic figures (e.g. the number of PIEs audited) over the same period. This market, as well as the availability of PIEs studies, is constantly monitored by the Agency.

Revenues of audit firms

The core business activities of audit firms consist in the provision of financial audit activities, i.e. *assurance services covering audits, as well as reviews of financial statements and other assurance services defined by law and reserved to statutory auditors*. According to Article 47 para. 2 of the Act on Statutory Auditors, the majority of²⁸ audit firms may also carry out the following business activities:

- 1) *provision of accounting and tax bookkeeping services;*
- 2) *tax consultancy;*
- 3) *conduct of bankruptcy or liquidation proceedings;*
- 4) *publishing or training activities in the area of accounting, financial audit and taxation;*

²⁷ Own calculations based on the data made available in the Report of the Commission to the European Parliament, the Council, the European Central Bank and the European Systemic Risk Board and in the Joint Report on Developments in the EU Market for Statutory Audit Services Provided to Public-Interest Entities between 2019 and 2021, <https://data.consilium.europa.eu/doc/document/ST-8738-2024-INIT/pl/pdf>.

²⁸ Pursuant to Article 47 para. 2 of the Act on Statutory Auditors, this is not applicable to AFs operating in the form of a cooperative audit association.

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5) preparation of expert reports or economic and financial opinions;

6) provision of consultancy or management services that require knowledge of accounting, financial audit, tax law as well as business organisation and operations;

7) provision of assurance services other than financial audit activities, other than those reserved for statutory auditors;

8) provision of related services;

9) provision of other services reserved by separate legal regulations for statutory auditors.

Audit firms are required to provide the Agency with detailed information on the aforementioned sources of revenues on an annual basis. Audit firms may also derive benefits from their assets, and in accordance with the applicable provisions of the Act on Statutory Auditors²⁹ they are not obliged to report this to the Agency. The total revenues of all audit firms from financial audit activities and other aforementioned services referred to in Article 47 para. 2 of the Act on Statutory Auditors were PLN 2,832,532 thousand in 2023 (an increase by nearly 15% as compared to the revenues of PLN 2,465,082 thousand in 2022).

Revenues from statutory audits (both PIEs and non-PIEs) **totalled** 38% of revenues of audit firms in Poland in 2023 and amounted to PLN 1,063,805 thousand (up by more than 19% as compared to PLN 891,335 thousand in 2022, when they constituted 36% of revenues of AFs). The revenues of AFs that audited PIEs were 69% of revenues from statutory audits (73% in 2022), and the revenues of AFs that did not audit PIEs or belong to the same networks with audit firms that audited PIEs were 31% (27% in 2022).

Revenue from other activities carried out by all audit firms were PLN 1,768,727 thousand (up by 12% as compared to PLN 1,573,747 thousand in 2022), of which PLN 1,405,207 thousand, i.e. 82% (PLN 1,287,050 thousand and 82%, respectively, in 2022) were attributable to audit firms that audited PIEs and their networks, and PLN 363,519 thousand (PLN 286,697 thousand in 2022) to audit firms that did not audit PIEs or belong to the same networks with audit firms that audited PIEs. This data is presented in Figure 5.

A more detailed analysis of the revenues of audit firms that audit PIEs and audit firms belonging to the same networks with them demonstrates that in 2023 they totalled PLN 2,137,222 thousand (PLN 1,939,137 thousand in 2022). This total consisted of revenues from statutory audits, which amounted to:

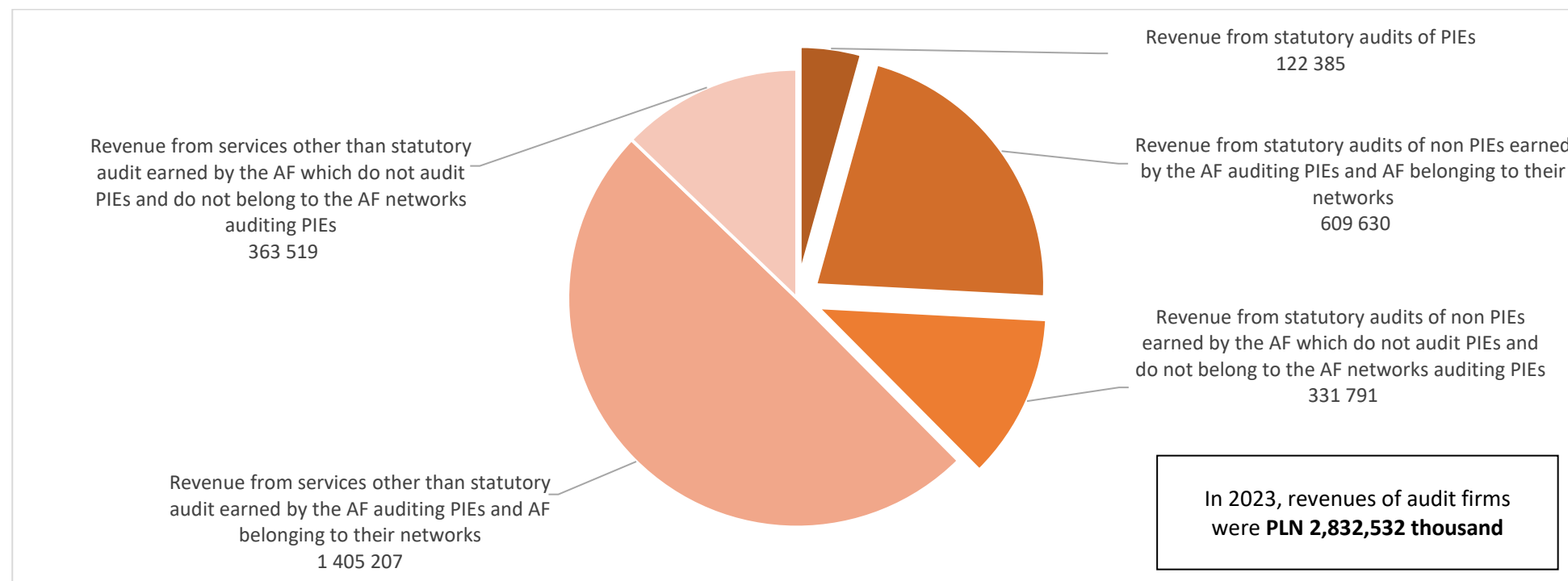
- PLN 732,015 thousand in 2023 (PLN 122,385 thousand from audits of PIEs and PLN 609,630 thousand from audits of non-PIEs),
- PLN 652,087 thousand in 2022 (PLN 104,513 thousand from audits of PIEs and PLN 547,574 thousand from audits of non-PIEs),

and other revenues which were PLN 1,405,207 thousand (PLN 1,287,050 thousand in 2022).

²⁹Cf. Regulation of the Minister of Finance, Funds and Regional Policy on the annual reporting of audit firms of 18 January 2021 (Journal of Laws of 2021, item 218).

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Figure 5. Revenues of audit firms in Poland in 2023, in thousands of PLN



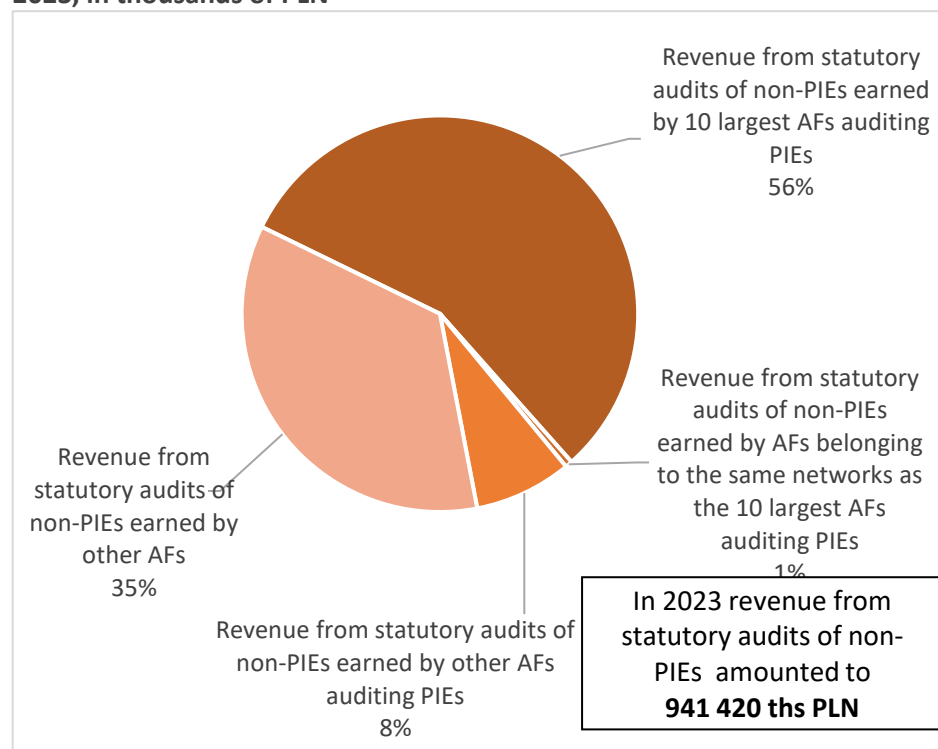
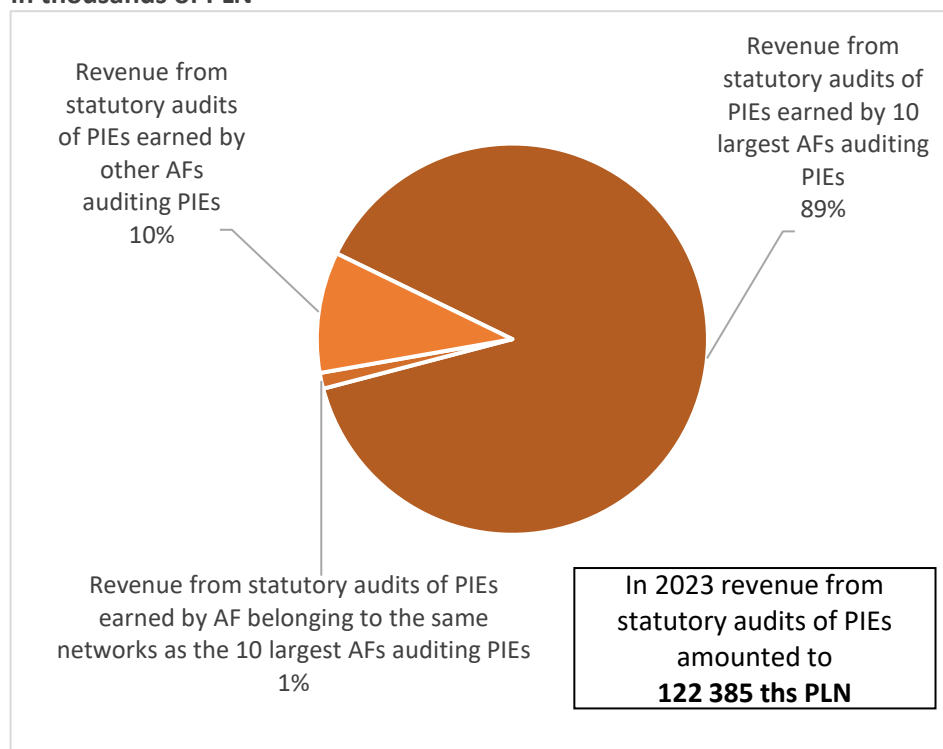
Source: own compilation based on annual financial statements submitted by audit firms for 2023, data collected on 16/03/2024.

The ten largest audit firms auditing PIEs, as shown, in particular, in Figures 6, 7 and 8, are audit firms with the highest revenues from statutory audits of FS and CFS of PIEs in a given year, i.e. the following AFs: PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt spółka komandytowa, KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa, Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa, Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa, Związek Rewizyjny Banków Spółdzielczych im. Franciszka Stefczyka in Warsaw, Grant Thornton Polska Prosta spółka Akcyjna, BDO spółka z ograniczoną odpowiedzialnością spółka komandytowa, Mazars Audyt spółka z ograniczoną odpowiedzialnością, PKF Consult spółka z ograniczoną odpowiedzialnością spółka komandytowa and UHY ECA Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa.

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The following figures demonstrate the share of the ten largest audit firms auditing PIEs in the revenues of audit firms in Poland in 2023. In terms of revenues from statutory audits of AFs, the share of this group of companies was 98% and together with the 2 companies belonging to the same networks with these AFs, even 90% of revenues. This relationship is visible in Figure 6. The analysis of revenues from statutory audits of other entities demonstrates that the share of the ten largest audit firms auditing PIEs is 56%, and is higher than the share of AFs auditing non-PIEs or not belonging to the same networks with such firms, which was 35%. This relationship is shown in Figure 7.

Figure 6. Revenues from statutory audits of PIEs by various audit firms in 2023, in thousands of PLN **Figure 7. Revenues from statutory audits of non-PIEs by various audit firms in 2023, in thousands of PLN**



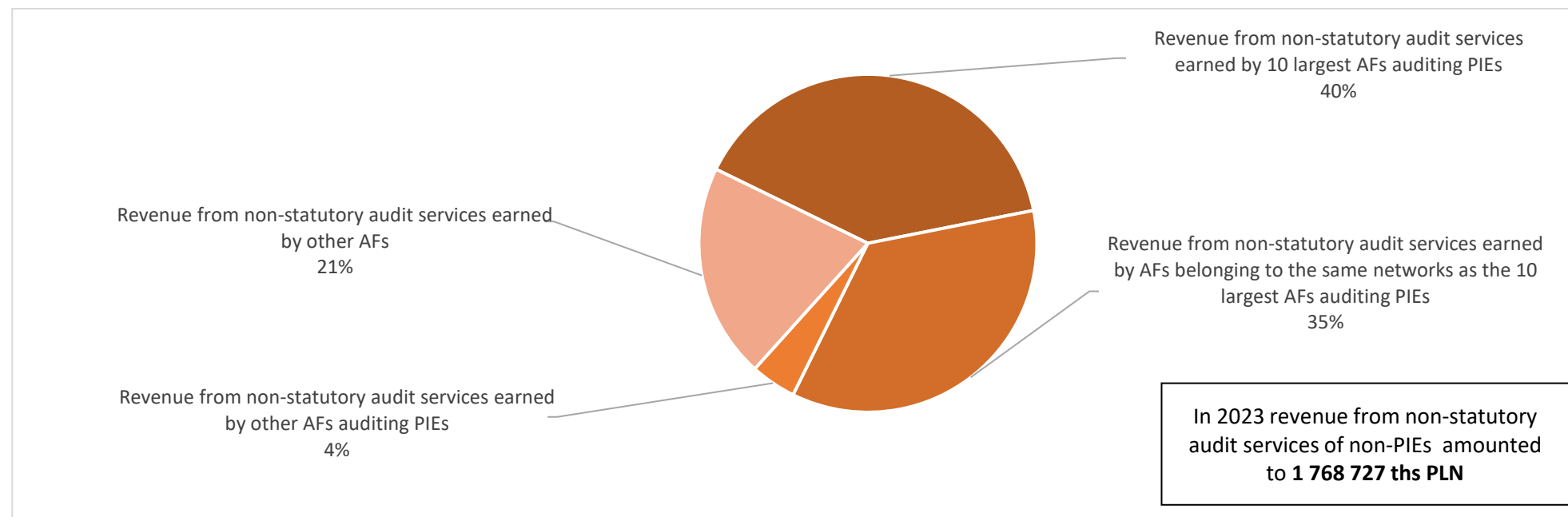
Source: own compilation based on annual financial statements submitted by audit firms for 2023, data collected on 16/03/2024.

Source: own compilation based on annual financial statements submitted by audit firms for 2023, data collected on 16/03/2024.

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The analysis of the AFs' revenues other than those from statutory audits demonstrated that the share of the ten largest audit firms auditing PIEs was 40% and the share of the seventeen AFs belonging to the same networks with the aforementioned firms was 35%, which resulted from the fact that that group did not have a comparably large share in the market revenues from statutory audits (i.e. approx. 1%). The share of AFs auditing non-PIEs or not belonging to the same networks with such companies was 21% in 2023. This data is presented in Figure 8.

Figure 8. Revenues of AFs, other than those from statutory audits in 2023, in thousands of PLN

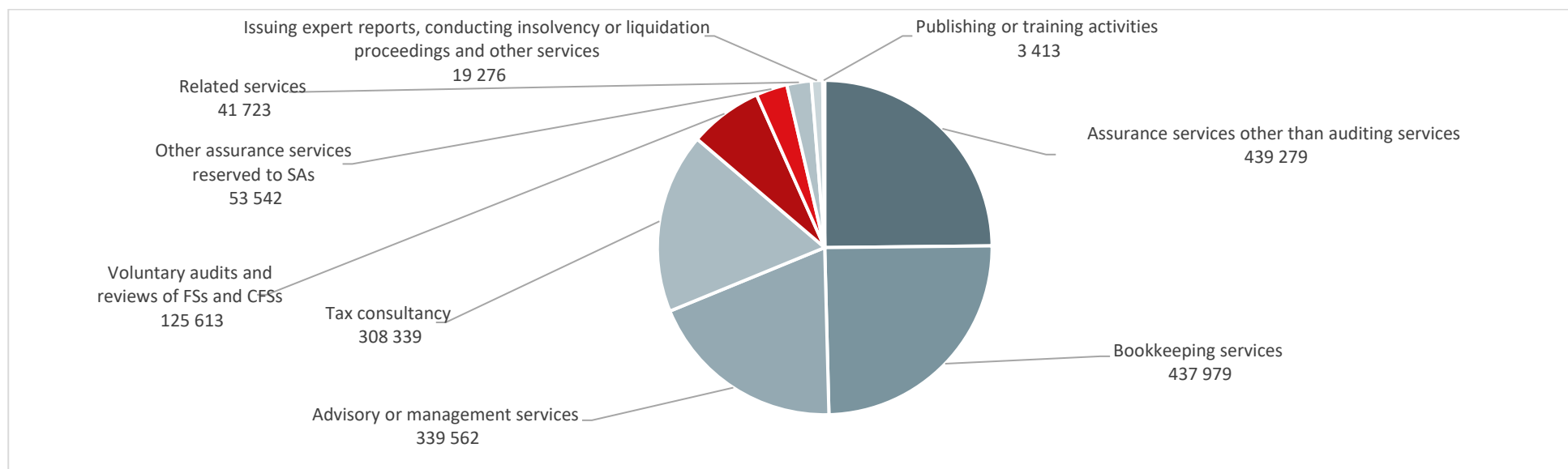


Source: own compilation based on annual financial statements submitted by audit firms for 2023, data collected on 16/03/2024.

The analysis of revenues other than those from statutory audits of the entire AF market, by category of the services provided demonstrated that in 2023 the highest revenues were from the provision of assurance services other than financial audit activities (such as certification of consolidation packages) (PLN 439,279 thousand) and from the provision of accounting and tax services (PLN 437,979 thousand), as well as from the provision of consultancy or management services that require knowledge of accounting, auditing, tax law, and business organisation and operations (PLN 339,562 thousand) and from the provision of tax advisory services (PLN 308,339 thousand). The structure of revenues of AFs other than those from statutory audits in 2023 has been shown in Figure 9.

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Figure 9. Revenues of AFs, other than those from statutory audits in 2023, by source, in thousands of PLN



Source: own compilation based on annual financial statements submitted by audit firms for 2023, data collected on 16/03/2024.

In 2023, the revenues of AFs from **assurance services rendered by statutory auditors** were PLN 1,242,961. The majority of these revenues were revenues from statutory audits (PLN 1,063,805 thousand, i.e. 86%). Other revenues in this category included revenues from voluntary audits of FS and CFS and reviews of FS and CFS (PLN 125,613 thousand, i.e. 10%) and also revenues from other assurance services rendered by statutory auditors (PLN 53,542 thousand, i.e. 4%).

Source: own compilation based on annual financial statements submitted by audit firms for 2023, data collected on 16/03/2024.

2.2. Market share of the largest market players auditing PIEs

The **audit firms auditing public-interest entities (PIEs)** have been discussed separately for comparison purposes. Table 3 contains the following data of these audit firms and their networks: the number of statutory auditors working for them, the total number of statutory audits performed, the number of statutory audits performed on each type of PIEs, and also the annual revenues.

The eleven audit firms presented in Table 3 were selected both on the basis of existing national circumstances and taking into account the CEAOB methodology. In terms of national circumstances, the audit firms included 10 networks for which the audit firms belonging to them received the highest fees for statutory audits of FS of PIEs. These were the following networks (ranked in a descending order by revenues from statutory audits of FS of PIEs): PwC, KPMG, Deloitte, EY, Grant Thornton, ZRBS im. Franciszka Stefczyka in Warsaw, BDO, Mazars, PKF Consult and UHY ECA. Eight of the AF networks presented in Table 3 belong to the group of the ten largest European networks of audit firms auditing PIEs identified by CAEOB (in alphabetical order): Baker Tilly, BDO, Deloitte, EY, Grant Thornton, KPMG, Mazars, Nexia, PwC and RSM. For the aforementioned audit firm networks, the data of audit firms belonging to the Baker Tilly and RSM networks operating in Poland have not been included herein, as these firms did not audit financial statements of PIEs in Poland in 2023.

The subject composition of each of the largest networks included the entity auditing PIEs in 2023 along with other audit firms belonging to the same network and operating in Poland, regardless of whether these other firms audited financial statements of PIEs. However, entities operating under a given brand that are not audit firms on the list maintained by PANA at the end of 2023 were not included, which is in line with the CEAOB methodology.

For the purposes of the analysis carried out, please note that as at 31 December 2023:

1. The BDO network consisted of 2 audit firms registered in Poland: BDO Sp. z. o.o. sp. k./spółka z ograniczoną odpowiedzialnością spółka komandytowa and BDO Sp. z. o.o..
2. The Deloitte network comprised 5 audit firms registered in Poland: Deloitte Audyt Sp. z. o.o. sp. k./spółka z ograniczoną odpowiedzialnością spółka komandytowa, Deloitte Assurance Polska Sp. z. o.o. sp. k./spółka z ograniczoną odpowiedzialnością spółka komandytowa, Deloitte Audyt spółka z ograniczoną odpowiedzialnością, Deloitte Assurance Polska Sp. z. o.o. /spółka z ograniczoną odpowiedzialnością and Deloitte Assurance Společnost s Ručením Omezeným³⁰.
3. The EY network consisted of 5 audit firms registered in Poland: Ernst & Young Audyt Polska Sp. z. o.o. sp. k./spółka z ograniczoną odpowiedzialnością spółka komandytowa, Ernst & Young Usługi Finansowe Audyt Sp. z. o.o. /spółka z ograniczoną odpowiedzialnością, Ernst & Young Audyt Polska Sp. z. o.o. /spółka z ograniczoną odpowiedzialnością, Ernst & Young Audyt Polska Sp. z. o.o. /spółka z ograniczoną odpowiedzialnością Doradztwo Podatkowe sp. k./spółka komandytowa and Ernst & Young Audyt Polska Sp. z. o.o. sp. k./spółka z ograniczoną odpowiedzialnością Finance spółka komandytowa.

³⁰ This firm was listed in 2022 pursuant to Article 90 para. 1 pt. 7a) and Article 63 para. 1 in connection with Article 57 para. 1 and 2 and Article 58 of the Act on Statutory Auditors and Article 104 and Article 107 Section 1 and 4 of the Act on the Code of Administrative Procedure of 14 June 1960.

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4. The Grant Thornton network comprised 4 audit firms registered in Poland: two auditing PIEs Grant Thornton Polska Prosta spółka Akcyjna and Grant Thornton Frąckowiak Prosta spółka Akcyjna, and also Grant Thornton Frąckowiak Sp. z. o.o. /spółka z ograniczoną odpowiedzialnością and Grant Thornton Polska Sp. z. o.o. /spółka z ograniczoną odpowiedzialnością.
5. The KPMG network consisted of 3 audit firms registered in Poland: KPMG Audyt Sp. z. o.o. sp. k./spółka z ograniczoną odpowiedzialnością spółka komandytowa, KPMG Audyt Services Sp. z. o.o. sp. k./spółka z ograniczoną odpowiedzialnością and KPMG Audyt Sp. z. o.o. /spółka z ograniczoną odpowiedzialnością.
6. The Mazars network comprised 2 audit firms registered in Poland: Mazars Audyt Sp. z. o.o. /spółka z ograniczoną odpowiedzialnością and Mazars Expertise Sp. z. o.o. /spółka z ograniczoną odpowiedzialnością.
7. The Nexia network was represented in Poland by Pro Audit Kancelaria Biegłych Rewidentów Sp. z. o.o. /spółka z ograniczoną odpowiedzialnością.
8. The PKF network was represented in Poland by PKF Consult Sp. z. o.o. sp. k./spółka z ograniczoną odpowiedzialnością spółka komandytowa.
9. The PwC network consisted of 3 audit firms registered in Poland: PricewaterhouseCoopers Polska Sp. z. o.o. Audyt Sp. k /spółka z ograniczoną odpowiedzialnością Audyt spółka komandytowa, PricewaterhouseCoopers Polska Sp. z. o.o. sp. k./spółka z ograniczoną odpowiedzialnością spółka komandytowa and PricewaterhouseCoopers Polska Sp. z. o.o. / spółka z ograniczoną odpowiedzialnością.
10. The UHY network comprised 3 audit firms registered in Poland: two auditing PIEs UHY ECA Audyt Sp. z. o.o. Audyt Sp. k /spółka z ograniczoną odpowiedzialnością spółka komandytowa and UHY ECA Audyt Sp. z. o.o. /spółka z ograniczoną odpowiedzialnością, and UHY ECA Sp. z. o.o. /spółka z ograniczoną odpowiedzialnością.
11. Franciszek Stefczyk Audit Association of Cooperative Banks of Warsaw was presented separately, as it does not form part of any network.

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Table 3. Market share of key market players as at 31 December 2023 or for the calendar year ending on this day

Item	Category	BDO	Deloitte	EY	Grant Thornton	KPMG	Mazars	Nexia	PKF	PwC	UHY	ZRBS im. F. Stefczyka in Warsaw	Other	Total	Remarks – Observations
1	Registered statutory auditors employed by or associated with AFs as partners or otherwise	29	63	68	24	110	25	10	65	102	19	13	2,977	3505	- Data corresponds to the entire PIE and non-PIE market - This category includes both practising and non-practising SAs
2	Statutory audits	595	757	1183	1021	1310	386	149	588	1920	625	317	23,957	32808	- Data corresponds to the entire PIE and non-PIE market
	2.1. Of which the number of audits performed jointly (joint audit)	0	0	0	0	0	0	0	0	0	0	0	6	6	- Data corresponds to the entire PIE and non-PIE market
3.	Statutory audits of PIE	77	65	55	94	277	106	12	77	460	86	317	460	2086	- Including 312 CFS
	3.1. Of which the number of joint audit opinions	0	0	0	0	0	0	0	0	0	0	0	0	0	
	3.2. Of which the number of audit opinions on listed companies (excluding banks and insurance companies)	48	10	44	80	32	20	12	33	61	79	0	251	670	- Including 288 CSF

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Item	Category	BDO	Deloitte	EY	Grant Thornton	KPMG	Mazars	Nexia	PKF	PwC	UHY	ZRBS im. F. Stefczyka in Warsaw	Other	Total	Remarks – Observations
	3.3. Of which the number of audit opinions on non-listed banks	7	11	5	5	6	4	0	12	13	0	317	74	454	- Including 5 CSF
	3.4. Of which the number of audit opinions on listed banks	0	2	0	0	12	4	0	2	4	0	0	88	112	- Including 10 CFS
	3.5. Of which the number of audit opinions on non-listed insurance companies	14	4	3	0	15	7	0	3	25	0	0	1	72	- Including 4 CFS
	3.6. Of which the number of audit opinions on listed insurance companies	0	0	0	0	2	0	0	0	0	0	0	0	2	- Including 1 CFS
	3.7. Of which the number of audit opinions on national PIEs	8	38	3	9	210	71	0	27	357	7	0	46	776	- Including 4 CFS

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Item	Category	BDO	Deloitte	EY	Grant Thornton	KPMG	Mazars	Nexia	PKF	PwC	UHY	ZRBS im. F. Stefczyka in Warsaw	Other	Total	Remarks – Observations
4	Revenues of the networks auditing PIEs, in accordance with the breakdown included in Article 13(2)(k) of Regulation No. 537/2014														
	4.0. Total amount	105,530	178,823	352,437	160,426	219,686	42,015	7,729	35,744	845,860	25,024	7,245	156,704	2,137,222	- Data corresponds to the market of AFs auditing PIEs and their networks; - In thousands of PLN.
	4.1. Of which revenues from statutory audit of PIEs and group companies whose parent undertaking is a PIE ³¹	6,916	11,628	11,139	7,252	20,661	5,842	357	5,065	30,468	4,004	7,181	11,873	122,385	- Data corresponds to the market of AFs auditing PIEs and their networks; - In thousands of PLN.
	4.2. Of which revenues from statutory audits of other entities	27,456	80,942	124,807	35,760	77,804	23,016	3,994	19,873	132,809	12,227	0	70,941	609,630	- Data corresponds to the market of AFs auditing PIEs and their networks; - Data in thousands of PLN..
	4.3. Of which revenues from permitted non-audit services rendered to audited entities	20,983	34,137	174,768	10,264	77,036	3,751	1,090	5,625	155,062	1,431	64	8,131	492,343	- Data corresponds to the market of AFs auditing PIEs and their networks; - In thousands of PLN.
	4.4. Of which revenues from non-audit services rendered to other entities	50,175	52,115	41,723	107,151	44,185	9,406	2,288	5,180	527,521	7,362	0	65,759	912,865	- Data corresponds to the market of AFs auditing PIEs and their networks; - In thousands of PLN.

³¹ The indicator includes only revenues from statutory audits of entities that are PIEs (excluding audits of entities belonging to a group of companies whose parent undertaking is a PIE, as the Agency does not collect information on the affiliation of audited entities to capital groups).

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Item	Category	BDO	Deloitte	EY	Grant Thornton	KPMG	Mazars	Nexia	PKF	PwC	UHY	ZRBS im. F. Stefczyka in Warsaw	Other	Total	Remarks – Observations
5	Firm/network structure Where applicable, indicate the structure of each audit firm/network in a given member state (for the purposes of understanding the presentation of revenues under Indicator 4).	Integrated basis	Integrated basis	Integrated basis	Integrated basis	Integrated basis	Integrated basis	Integrated basis	Integrated basis	Integrated basis	Integrated basis	Stand-alone AF	Not applicable	Not applicable	

Source: Information from the Agency's databases, annual financial statements submitted by audit firms for 2023 - data collected as at 14/03/2024 and information from the Polish Financial Supervision Authority and from the Polish Chamber of Statutory Auditors.

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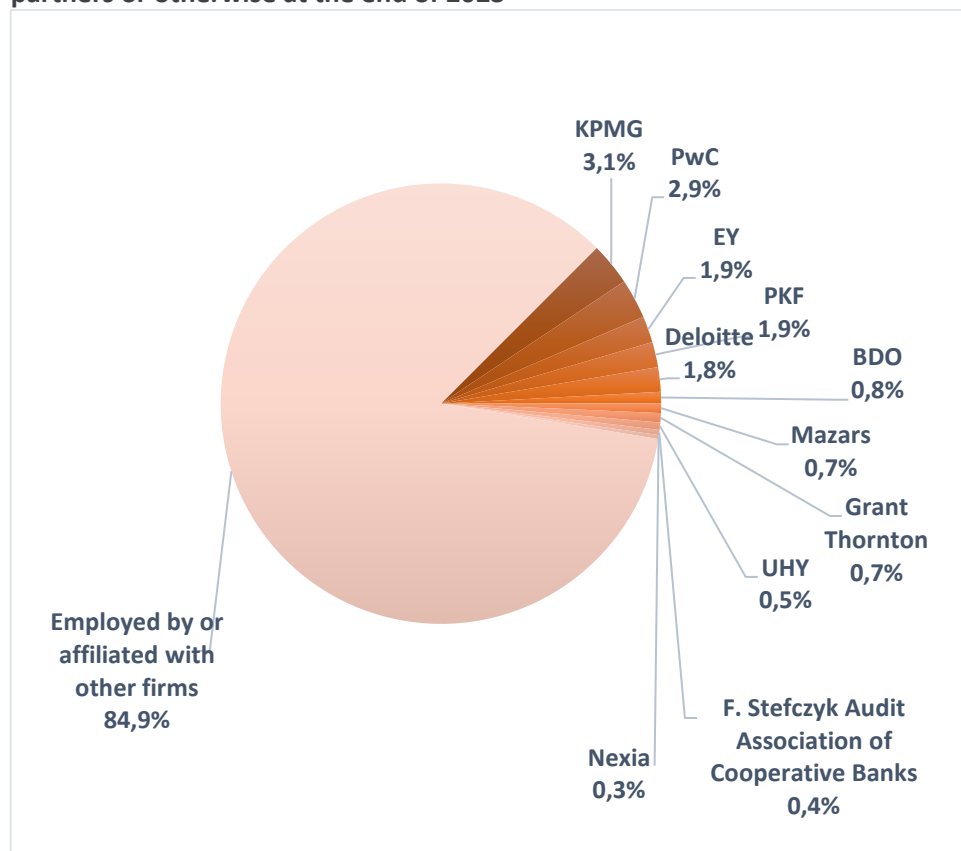
2.2.1. Analysis of selected audit firms and statutory auditors market indicators

To illustrate more fully the changes taking place in the market for services provided by statutory auditors and audit firms, we present how the selected figures developed at the end of 2023 as compared to the figures for 2022.

Number of statutory auditors employed by or associated with audit firms of each network as partners or otherwise

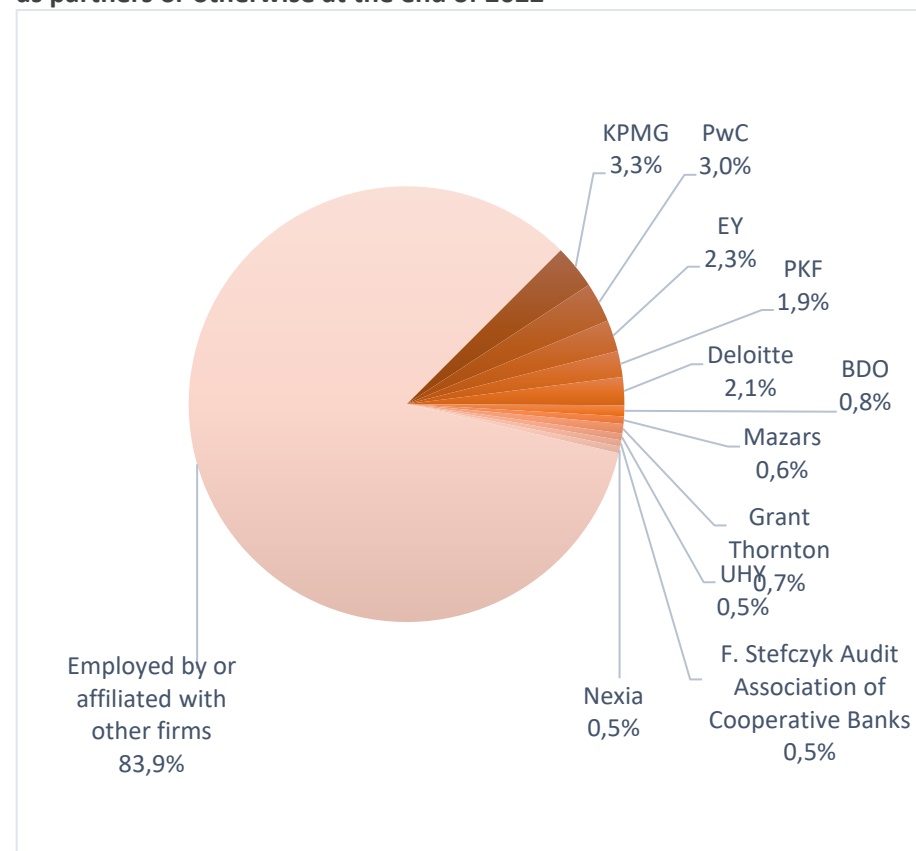
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Figure 10. Number of statutory auditors employed by or associated with AFs as partners or otherwise at the end of 2023



Source: own compilation based on annual reports submitted by audit firms for 2023, data collected as at 16/03/2024.

Figure 11. Number of statutory auditors employed by or associated with AFs as partners or otherwise at the end of 2022



Source: own compilation based on annual reports submitted by audit firms for 2022, data collected as at 18/04/2023 and as at 21/05/2024 (for UHY and PKF).

At the end of 2023, as in the previous year, the largest number (over 100) of statutory auditors were employed or otherwise associated with two AF networks: KPMG (110 SAs, and 112 in the previous year) and PwC (102 SAs, and 101 in the previous year).

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Number of PIEs audited by each network of audit firms

Out of all statutory audit opinions³² issued in Poland in 2023, 6% 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 aforementioned opinions to all statutory audit opinions issued by a given network (between 5% and 100%).

The largest share of opinions on statutory audit of PIEs among the audits was held by Franciszek Stefczyk Audit Association of Cooperative Banks in Warsaw, which is an entity with a specific structure established to audit financial statements of cooperative banks. In 2023, all audit opinions issued by this audit association concerned public-interest entities and separate financial statements. In absolute terms, with 317 opinions issued in 2023, the association was the second largest of all audit firms in terms of the number of statutory audits of PIEs.

As was the case last year, the Mazars network was the second in terms of the share of opinions on statutory audits of PIEs, with 27% of the audit reports issued in 2023 being audit reports on audits of PIEs (106 out of 386 opinions issued by the network's audit firms).

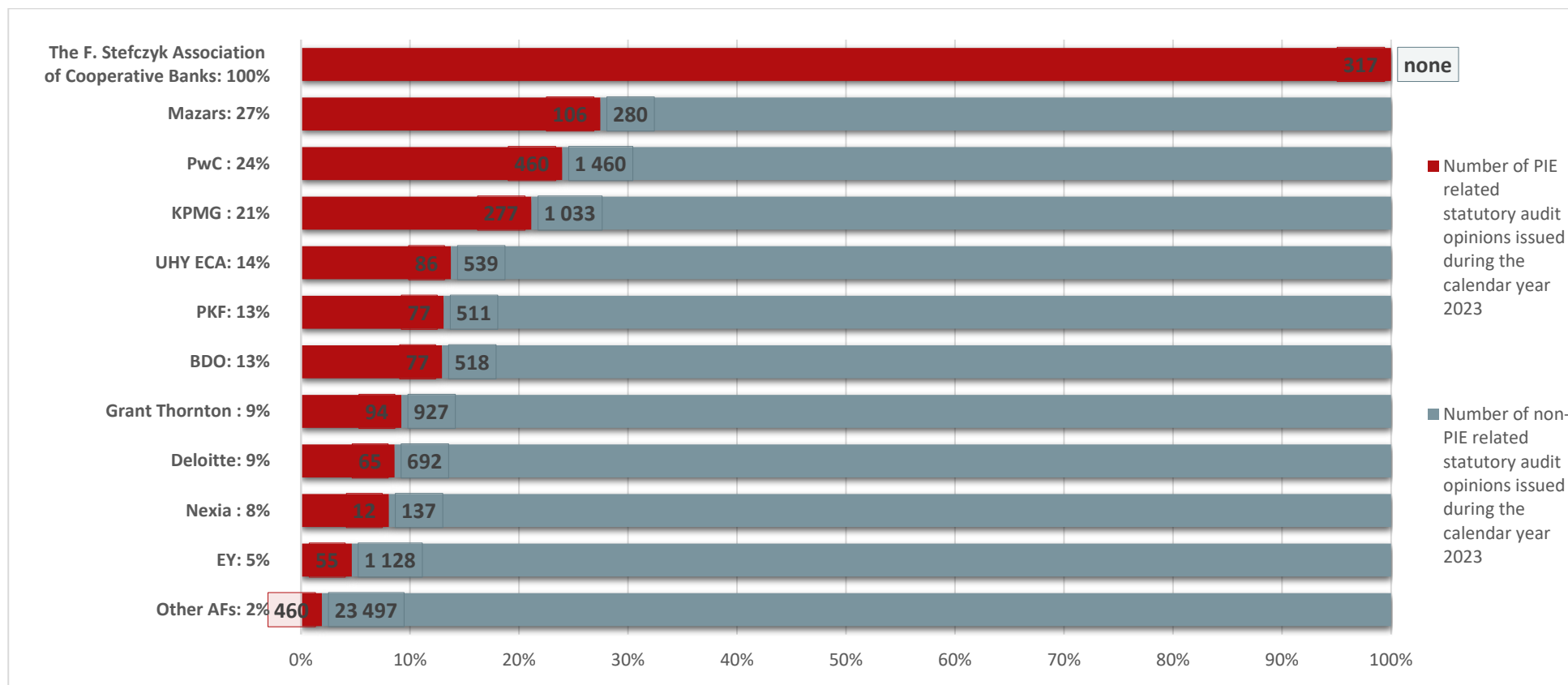
The PwC network was ranked third in terms of the share of opinions issued on statutory audits of PIEs, with 24% of the share of audits of PIEs (460 out of 1,920 opinions issued by the network's audit firms). In absolute terms, this network led the way in terms of the absolute number of opinions issued on audits of PIEs in 2023.

These relationships are shown in Figure 12.

³² See: Footnote 13.

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Figure 12. Comparison of the number of opinions on statutory audit of PIEs and the number of opinions on statutory audit of non-PIEs for the selected AF networks and the share of opinions on statutory audit of PIEs in the total number of opinions issued by the selected AF networks in 2023



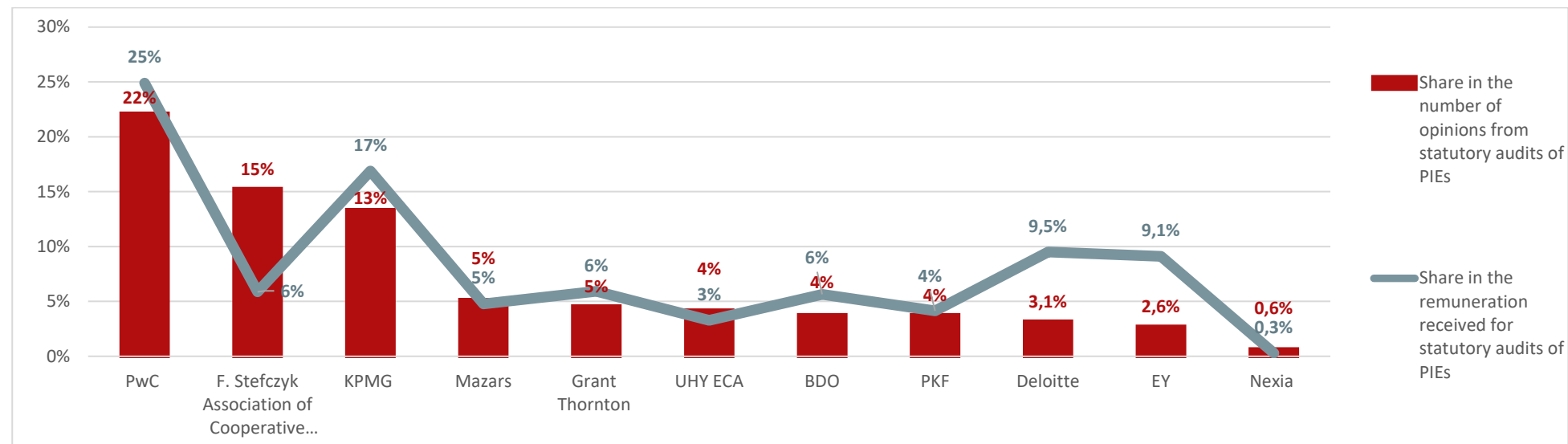
Source: own compilation based on annual financial statements submitted by audit firms for 2023, data collected on 14/03/2024.

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On a market-wide basis, 2,086 audit opinions on separate financial statements and consolidated financial statements of PIEs were issued in 2023. Compared to the 2022 figures, there was an increase of 53 opinions.

In 2023, the 11 selected networks of audit firms auditing PIEs, collectively performed 78% of statutory audits of PIEs, for which they received 90% of the total fees or statutory audit of PIEs for the entire market. Considering the aforementioned networks individually, as presented in Figure 13, the largest disparity between the share of the number of statutory audits of PIEs and the share of fees for these statutory audits, among the 11 selected networks auditing PIEs, is presented by Franciszek Stefczyk Audit Association of Cooperative Banks in Warsaw, which audited 15% of PIEs in 2023 and received 6% of the total fees for auditing PIEs, and the EY network, which audited less than 3% of PIEs and received 9% of the total fees for auditing PIEs, as well as the Deloitte network, which audited 3% of PIEs and received more than 9% of the total fees for auditing PIEs. This disparity is to some extent natural, as public-interest entities are not a homogeneous group. Similarly to the PIEs themselves which may differ one from another, the audits of different PIEs differ significantly, in particular, in terms of the complexity and of the necessary workload and, consequently, in terms of fees for their auditing.

Figure 13. Comparison of the share in the number of opinions issued on statutory audit of PIEs and the share in the audit fee in the total number of opinions and the total audit fees, respectively, between 11 selected AF networks auditing PIEs in 2023



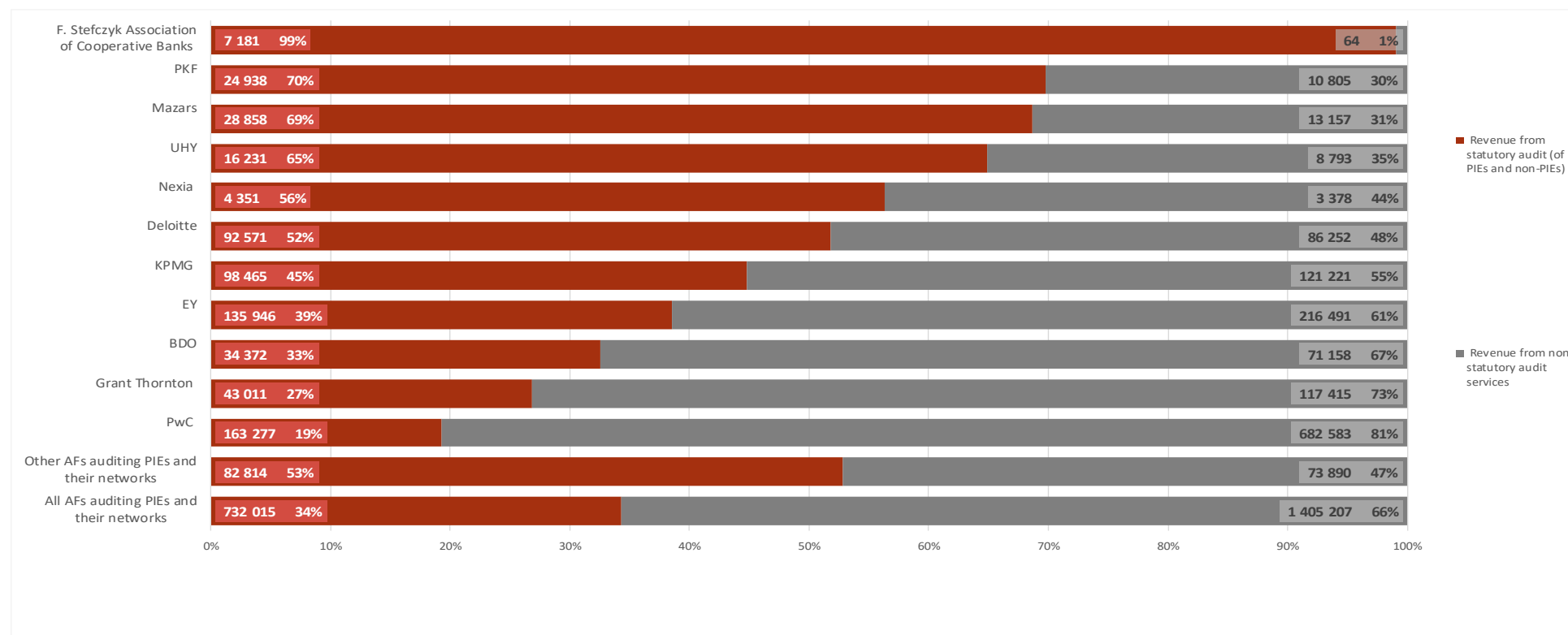
Source: own compilation based on annual financial statements submitted by audit firms for 2023, data collected on 16/03/2024.

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

Figure 14 below illustrates the share of revenues from statutory audits and from services other than statutory audits in the total revenues of the selected audit firm networks for 2023. For all audit firms auditing PIEs and their networks, in 2023 revenues from services other than statutory audits were on average higher than revenues from statutory audits. For the majority of the AF networks presented, however, these relationships were different from that described above: in 2023, F. Stefczyk Audit Association of Cooperative Banks of Warsaw generated 99% of its revenues from statutory audits, and the networks of PKF, Mazars, UHY, Nexia and Deloitte generated, respectively, 70%, 69%, 65%, 56% and 52% of their revenues.

Figure 14. Revenues from statutory audits versus revenues from non-audit revenues for selected networks auditing PIEs for 2023 (in thousands and as %)



Source: own compilation based on annual financial statements submitted by audit firms for 2023, data collected on 16/03/2024.

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2.2.2. Revenues of the largest networks of audit firms auditing PIEs

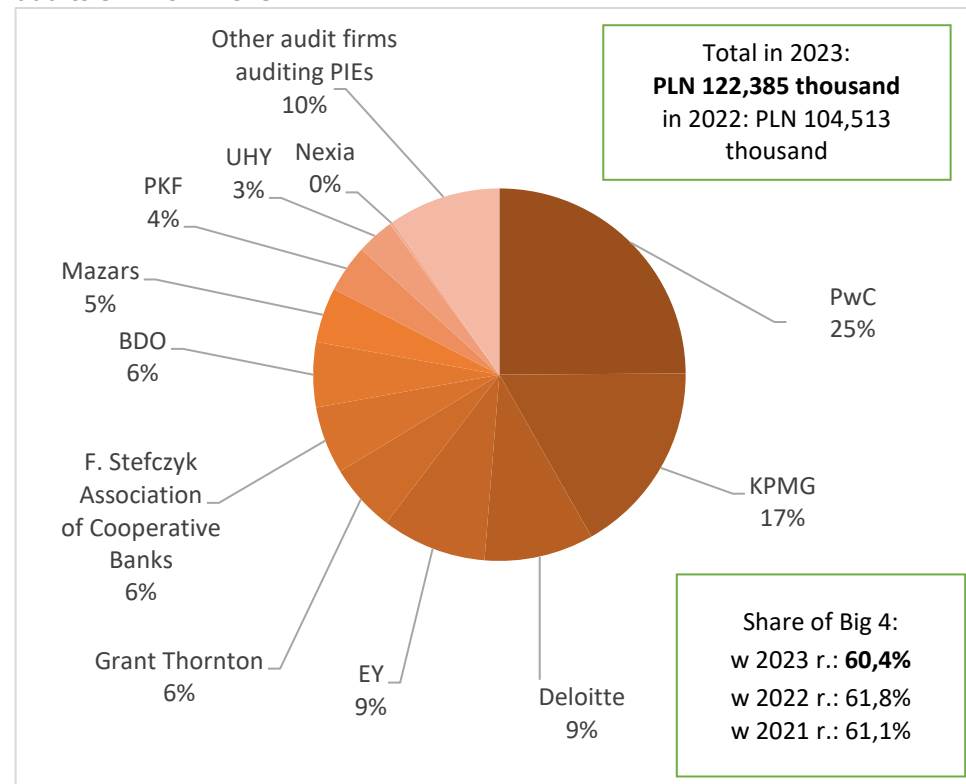
The figures below illustrate the share of the selected audit firm networks in revenues from statutory audits of PIEs and non-PIEs, and in non-audit revenues for 2023.

In 2023, revenues from statutory audits of PIEs in Poland were PLN 122,385 thousand (by 17% higher than in 2022, when they were PLN 104,513 thousand). The total share of the Big Four audit firm networks³³ was 60.4% (as compared to 61.8% in 2022). The network with the largest share of revenues in the market for this type of services was (similarly as in 2022) PwC (24.9%; and 22,9% in 2023), followed by revenues of the Big Four KPMG (17%; and 15% in 2023), Deloitte (10%; 11% in 2023) and EY (9%; and 13% in 2023). This is illustrated in Figures 15 and 16.

³³ It is assumed that the world's largest audit firms, i.e. (in alphabetical order) Deloitte, EY, KPMG and PwC are the “Big Four” audit firms.

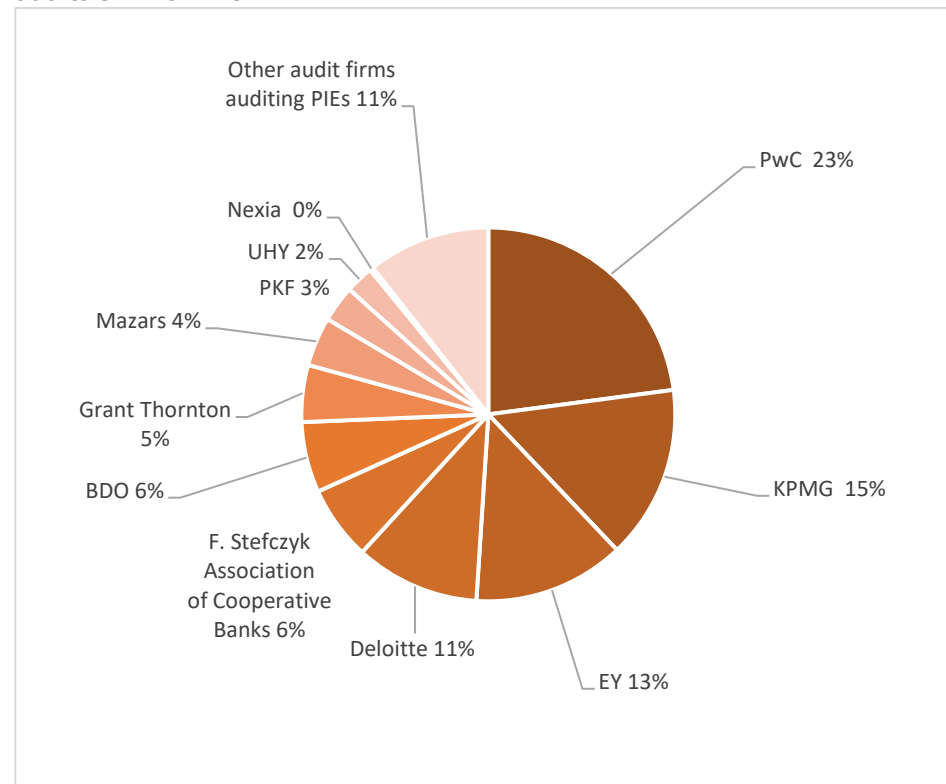
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Figure 15. Share of selected audit firm networks in revenues from statutory audits of PIEs in 2023



Source: own compilation based on annual reports submitted by audit firms for 2023, data collected as at 16/03/2024.

Figure 16. Share of selected audit firm networks in revenues from statutory audits of PIEs in 2022

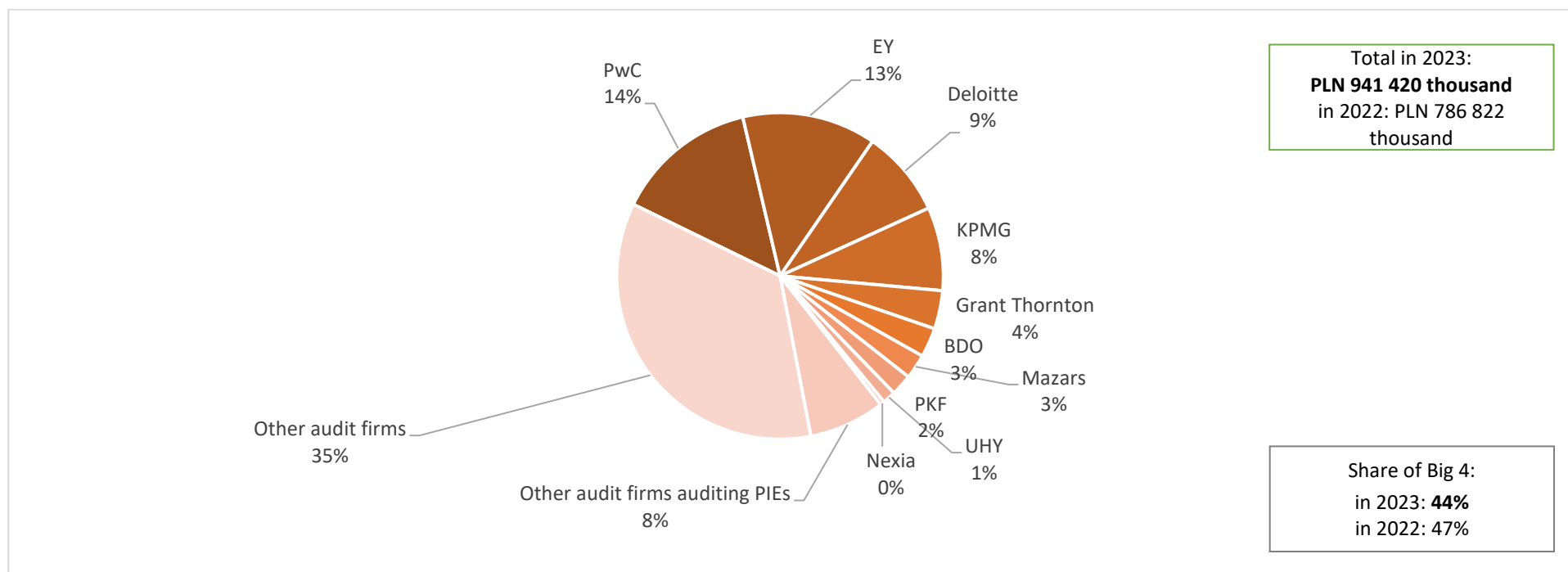


Source: own compilation based on annual reports submitted by audit firms for 2022, data collected as at 18/04/2023 and as at 21/05/2024 (for UHY and PKF).

In 2023, audit firms auditing (in particular) PIEs had revenues from non-PIE statutory audits of PLN 609,630 thousand (11% higher than in 2022, when they were PLN 547,574 thousand). Such revenues of all the AFs in Poland were PLN 941,420 thousand (i.e. They were almost 20% higher than in 2022 when they amounted to PLN 786,822 thousand). The combined share of the Big Four companies was 44% (47% in 2022). The PwC network had the highest share in non-PIE statutory audit revenues: 14%, followed by the shares of the “Big Four” companies: EY (13%), Deloitte (9%) and KPMG (8%). This is illustrated in Figure 17. The share of the “Big Four” companies decreased in comparison with its level in the previous year (a drop from 47% to 44%).

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Figure 17. Share of selected audit firm networks in revenues from statutory audits of non-PIEs in 2023

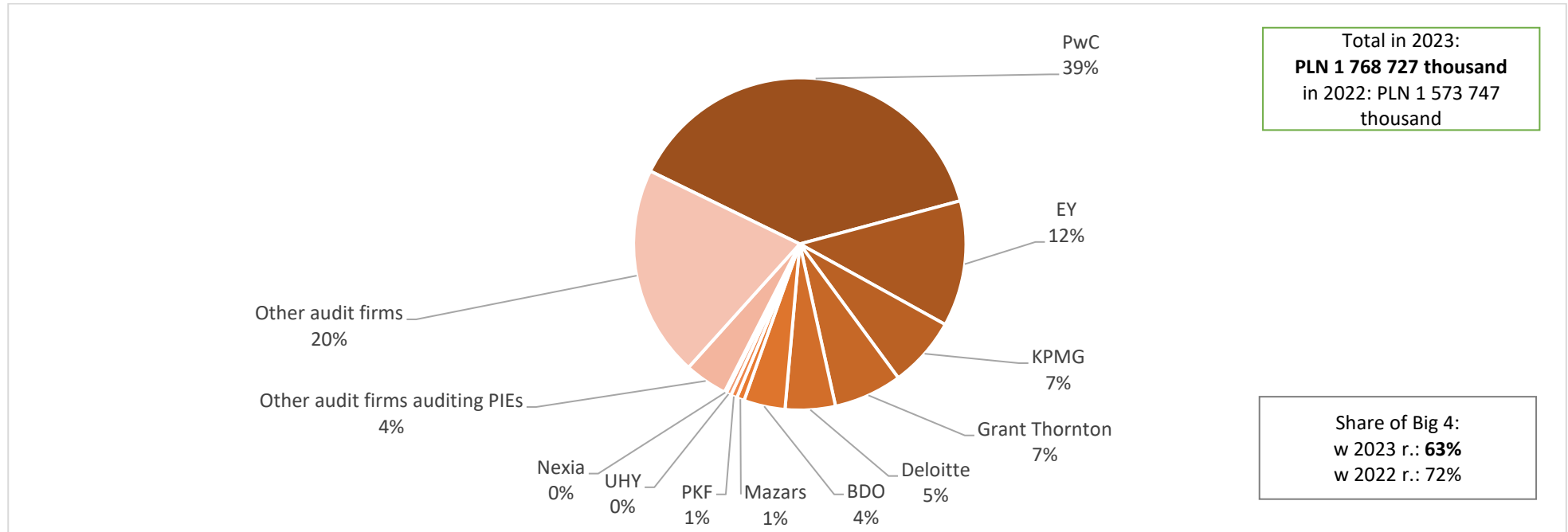


Source: own compilation based on annual financial statements submitted by audit firms for 2023, data collected on 16/03/2024.

In 2023, audit firms auditing (among others) PIEs in Poland generated a total of PLN 1,405,207 thousand of revenues from non-audit services (by 9% more than in 2022, in which they were PLN 1,287,050 thousand), while all the AFs in Poland (auditing PIEs and non-auditing PIEs) generated PLN 1,768,727 thousand in that respect (12% more than in 2022, in which these revenues amounted to PLN 1,573,747 thousand). The share of the PwC network was relatively high, namely almost 39% of this category of revenues. Other networks that accounted for a large share in the non-audit revenues were EY (12%), KPMG (7%) and Grant Thornton (7%). The share of the “Big Four” companies decreased as compared to the previous year from 72% to 63%. This is illustrated in Figure 18.

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Figure 18. Share of selected audit firm networks in non-audit revenues in 2023



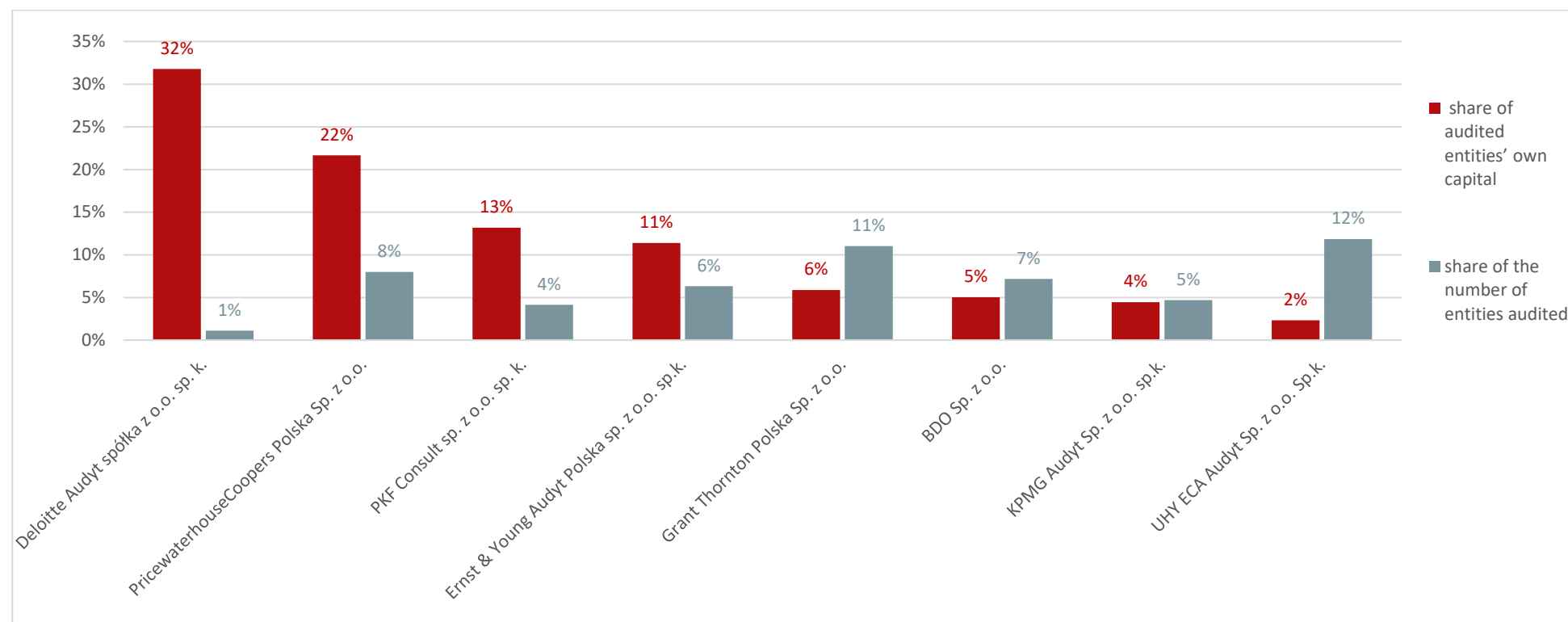
Source: own compilation based on annual financial statements submitted by audit firms for 2023, data collected on 16/03/2024.

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Audits of listed companies by the largest audit firms

The audits of financial statements of listed companies in 2023 was handled by more than 40 audit firms. The audit firms with the largest share of the entities audited, measured with the value of their capital, did not necessarily audit a proportionally large number of listed companies. The clients of the largest AFs were often listed companies with larger equity, which translated, among other things, into higher revenues from the audit services rendered. These relationships, for the selected audit firms, have been presented in Figure 19.

Figure 19. Audits of listed companies by selected audit firms in 2023 – the share of equity and the number of listed companies audited by AFs in the total equity of all the listed companies audited in the market and in their number



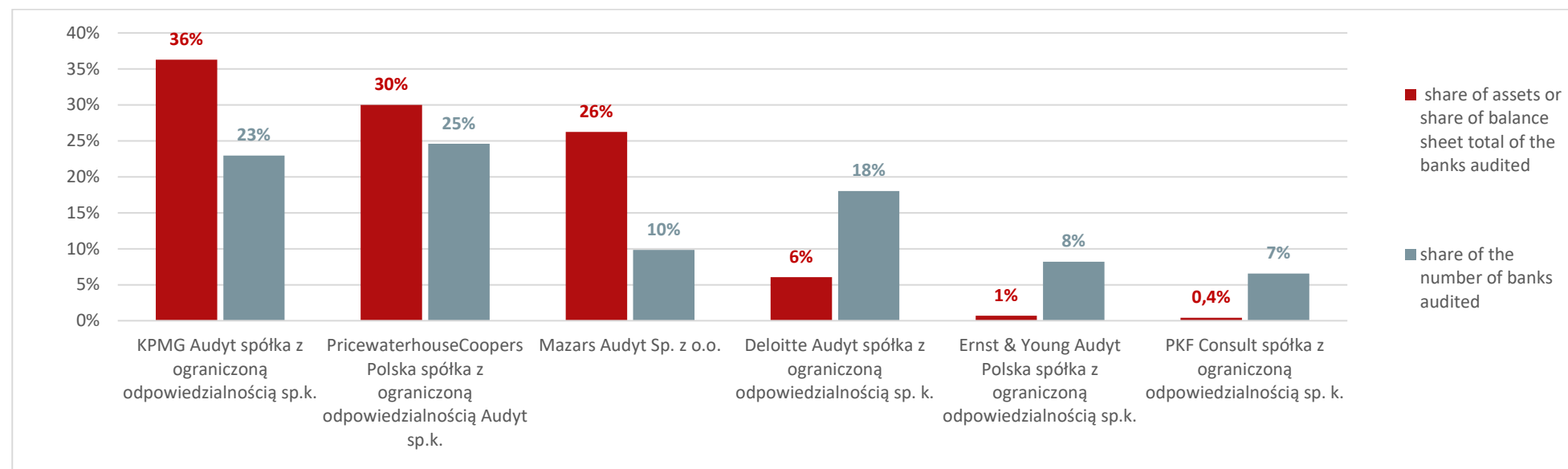
Source: own compilation based on data of the Polish Financial Supervision Authority.

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Audits of banks by the largest audit firms

In 2023, banks³⁴ other than cooperative banks were audited by 8 audit firms in Poland. These were mainly audit firms that formed part of several major audit firm networks. Barriers to entry into this market for smaller entities include the specific nature of the banking activities and the requirements³⁵ concerning audit teams and their experience and competence in providing services to entities in this sector. Figure 20 presents the share of the largest audit firms in the number of banks audited, other than cooperative banks, and in the total assets of these banks in 2023.

Figure 20. Audits of banks other than cooperative banks carried out by selected audit firms in 2023 – the share of total assets and the number of banks audited by AFs in the total assets of all the banks audited in the market and in the number of the banks audited



Source: own compilation based on data of the Polish Financial Supervision Authority.

³⁴ The category of banks includes national banks, branches of credit institutions and branches of foreign banks (within the meaning of the Banking Act of 29 August 1997), which is in line with the definition of a PIE provided for in the Act on Statutory Auditors.

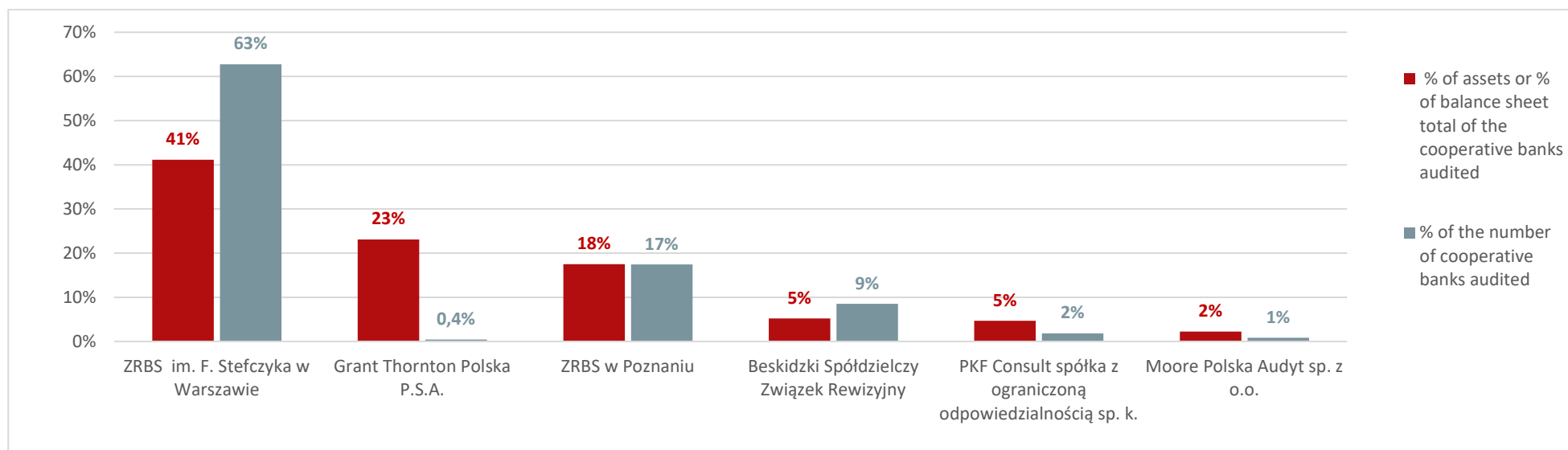
³⁵ Pursuant to Article 66 para. 2 of the Act on Statutory Auditors: The audit firm shall ensure that the key statutory auditor has adequate resources, including an audit team with competence and capacity necessary to properly perform the audit in question.

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Audits of cooperative banks by the largest audit firms

The key auditor of cooperative banks in 2023, as in the previous year, was Franciszek Stefczyk Audit Association of Cooperative Banks of Warsaw which carried out 63% of statutory audits of cooperative banks representing 41% of the total assets of banks in the sector. Figure 21 shows the share of audit firms with the largest share in the number of audited cooperative banks and their share in the total assets of the cooperative banks audited in 2023.

Figure 21. Audits of cooperative banks by selected audit firms in 2023 – the share of the total assets and the number of banks examined by AFs in the total assets of all the cooperative banks audited and in the number of statutory audits of these entities



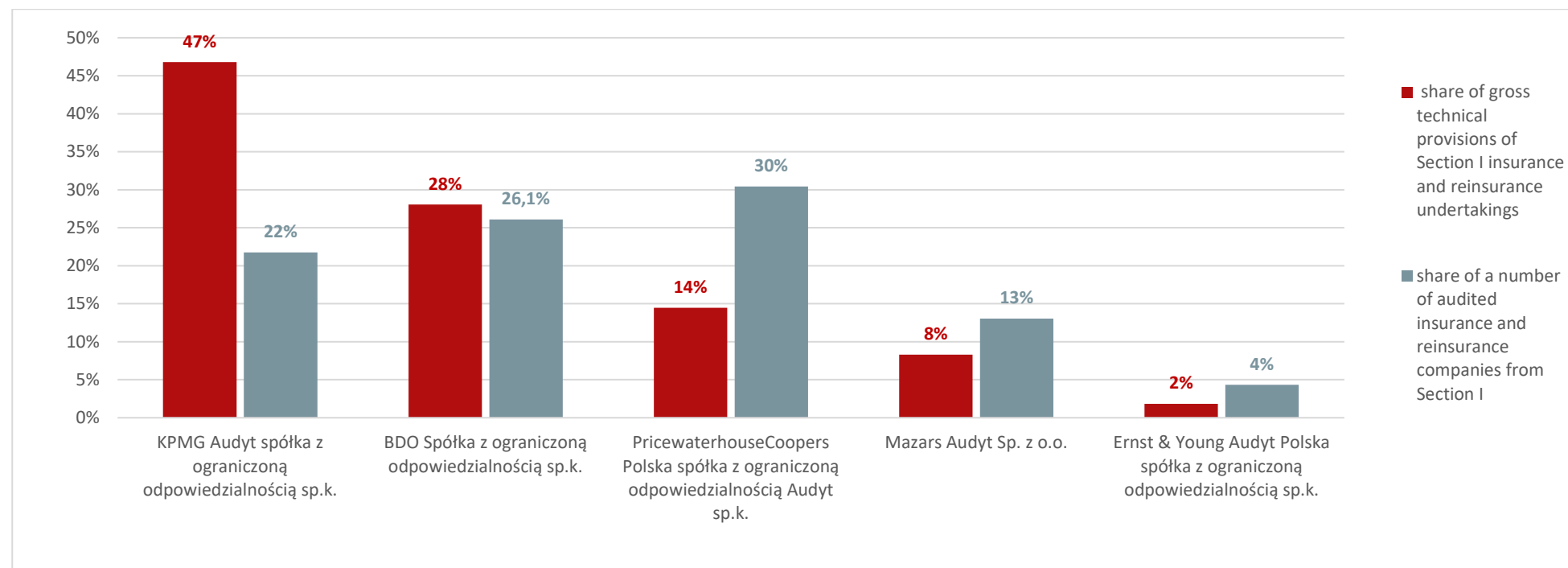
Source: own compilation based on data of the Polish Financial Supervision Authority.

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Audits of insurance and reinsurance companies by the largest audit firms

In 2023, insurance and reinsurance companies were audited by 8 audit firms. This group was dominated by entities forming part of the largest audit firm networks. Taking into account the size of insurance companies, defined for Section I insurance and reinsurance companies (i.e. life insurance) as gross technical provisions and for Section II insurance and reinsurance companies (i.e. other personal insurance and non-life insurance) as gross premiums written, an audit firm that formed part of the KPMG network had the largest share in the audit market for insurance and reinsurance companies of both groups. This is illustrated in Figure 22 and in Figure 23.

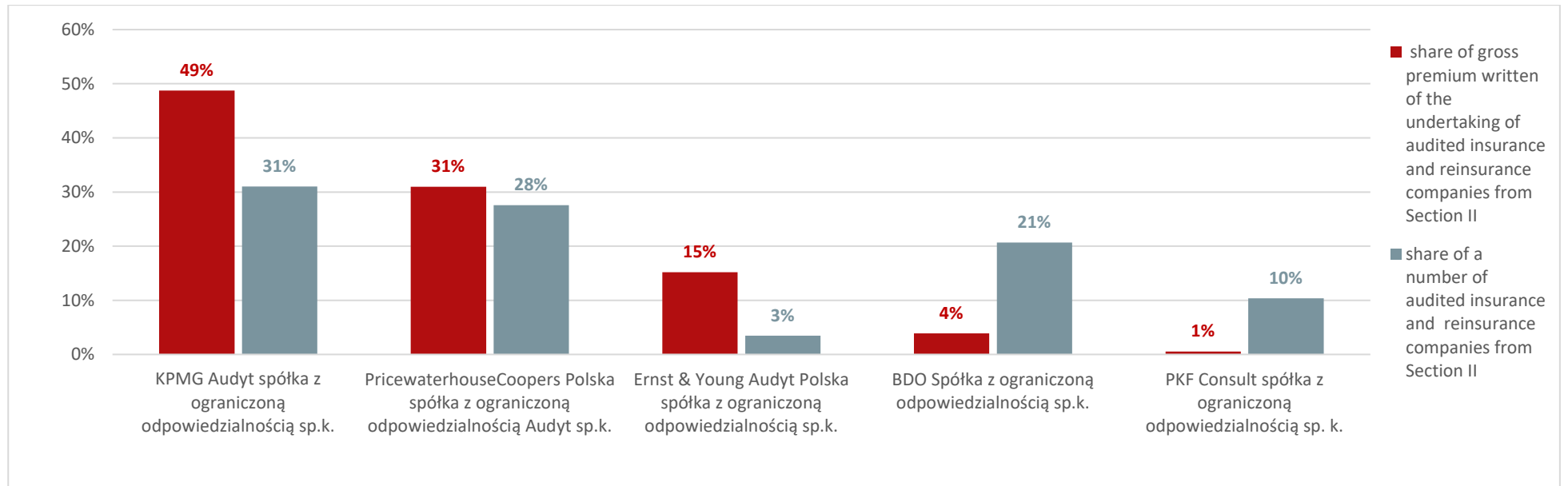
Figure 22. Audits of Section I insurance and reinsurance companies by the largest audit firms in 2023 – the share of technical provisions and the number of Section I insurance and reinsurance companies audited by AFs in the total of such provisions of all the Section I insurance and reinsurance companies audited in the market, and in the number of companies audited



Source: own compilation based on data of the Polish Financial Supervision Authority.

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Figure 23. Audits of Section II insurance and reinsurance companies by the largest audit firms in 2023 – the share of technical provisions and the number of Section II insurance and reinsurance companies audited by AFs in the total of such provisions of all the Section II insurance and reinsurance companies audited in the market, and in the number of companies audited



Source: own compilation based on data of the Polish Financial Supervision Authority.

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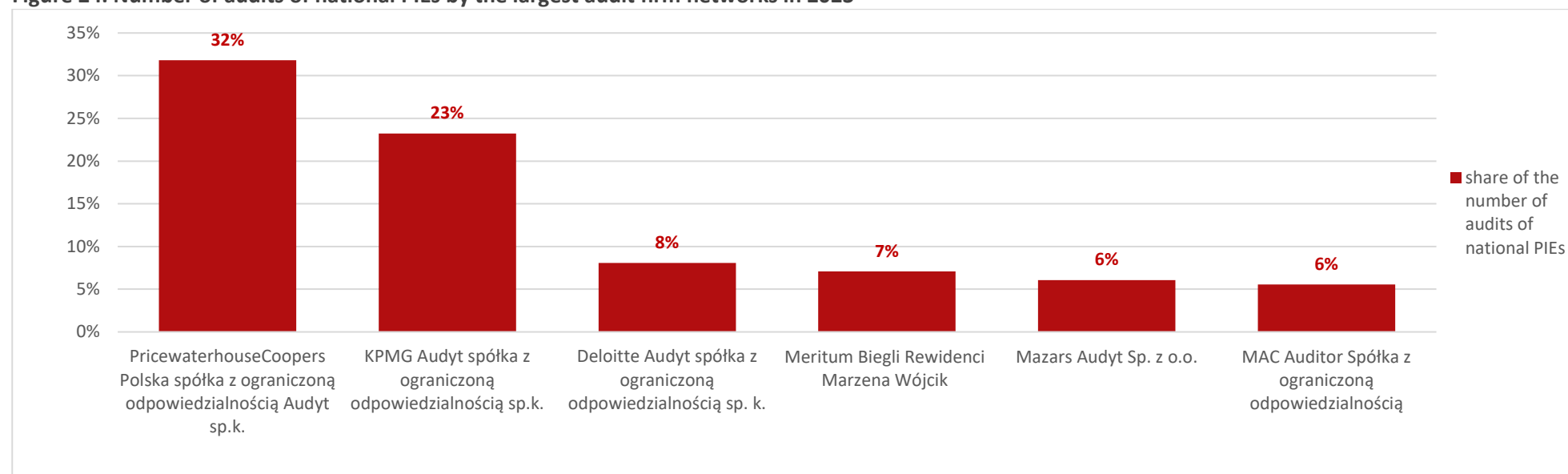
Audits of PIEs other than listed companies or banks or insurance companies by the largest audit firms

As mentioned earlier, in implementing the solutions of the European statutory audit legislation into the Polish legislation, the definition of public-interest entities has been extended in such a way that in Poland, in addition to listed companies, banks and insurance and reinsurance companies, it also includes several other categories of entities, including pension funds, investment funds and others, collectively referred to as “national PIEs”.

Statutory audits of national PIEs in 2023 were carried out by 14 audit firms, with 6 of them carrying out 82% of the audits of national PIEs. This is illustrated in Figure 24. As entities that fall within the category of national PIEs are entities of different nature, their size is not subject to comparison.

Some audit firms, in particular those that form part of the largest AF networks, have carried out statutory audits of various categories of national PIEs. Other, smaller firms, often specialised only in the auditing of specific types of entities, e.g. investment funds or credit unions.

Figure 24. Number of audits of national PIEs by the largest audit firm networks in 2023



Source: own compilation based on data of the Polish Financial Supervision Authority.

3. Risks to the quality of audits in Poland and measures taken to counteract them

As a result of the reform of the public oversight system over statutory auditors and audit firms in Poland, which came into force in 2020, the system of carrying out inspections has undergone fundamental changes. The Polish Audit Oversight Agency, which has been operating since 1 January 2020, combines the oversight over audits of public-interest entities (PIEs) and audits of other entities (non-PIEs). The fact that a new team of inspectors has been appointed to work at the Agency and that new procedures have been developed to carry out inspections that take more account of the risks to the quality of audits, limits the scope of comparisons between present figures and those of earlier periods.

The number of inspections carried out by the Polish Agency for Audit Oversight as part of the Agency's quality assurance system, as well as their results, are monitored on an ongoing basis by the Agency's management and discussed at the Agency Council meetings.

At the same time, attention is drawn to the results of other studies addressing these issues, which can be consulted in numerous publications made available on the Agency's website. By undertaking such activities, the Agency also performs its statutory tasks.

3.1. Common irregularities identified during the inspections carried out

The violations disclosed within the framework of the inspection system fall into two main categories:

- **Deficiencies concerning the operating procedures of audit firms (or firm-wide findings)** – absence or non-compliance of the audit firm's internal quality control system with the applicable national auditing standards, national quality control standards, the Act on Statutory Auditors, Regulation No. 537/2014, ethical principles and other applicable provisions of laws;
- **Deficiencies in the examination file (engagement findings)** – non-compliance of the audit files selected for inspection with the applicable provisions of law, requirements stemming from auditing standards, quality control standards and ethical requirements (with particular reference to independence).

Please note that the inspection plans set forth by the Agency on an annual basis are subject to the results of the risk analysis of irregularities in statutory audits. It is assumed that PANA inspections should take place first (or more frequently than the minimum inspection frequency required by law³⁶) in those audit firms in which the risk of irregularities is greater or the losses if the risks occur will be higher.

The 2023 figures are the results of the 2022/23 part of the inspection plan and of the 2023/24 part. From 2024 onwards, the Agency introduces annual inspection plans that coincide with calendar years.

³⁶ According to the Act on Statutory Auditors, inspections in audit firms must not be carried out less frequently than: once every 3 years (for AFs performing statutory audits of public-interest entities meeting the criteria of a large entity) or once every 6 years (for AFs performing statutory audits of other entities).

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Table 4 contains data on inspections completed in 2023 and their results, where completed inspections mean those for which an inspection report has been issued³⁷.

Table 4. The quality assurance system in 2023 and in the preceding year

Item	Category	Figure for 2023	Figure for 2022	Remarks – Observations	
1	Statutory audits inspected	1.0. Total number	303	294	
		1.1. Of which statutory audit engagements (files) of PIEs only	41	79	
		1.2. Of which statutory audit engagements (files) of non-PIEs only	262	215	
2	Audit firms/ Sole Practitioners where statutory audit engagement files were inspected ³⁸	2.0. Total number	154	145	
		2.1. Of which audit firms/ Sole Practitioners auditing PIEs	32	42	
		2.2. Of which audit firms/ Sole Practitioners auditing non-PIEs	122	103	

³⁷ Attention is drawn to the fact that, for other purposes, the Agency may define as “completed” those inspections for which the Notice of Completion has been handled to the AF inspected.

³⁸ Nomenclature in line with the CAEOB methodology, the use of which enables comparison of data from consecutive market monitoring reports. In the context of national legislation, the data in Table 4 refers to audit firms, regardless of their form of operation.

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Item	Category	Figure for 2023	Figure for 2022	Remarks – Observations	
3	Audit firms/ Sole Practitioners for which firm-wide procedures were inspected	3.0. Total number	158	143	
		3.1. Of which audit firms/ Sole Practitioners auditing PIEs	32	42	
		3.2. Of which audit firms/ Sole Practitioners other than those auditing PIEs	126	101	
4		4.0. Total number of findings	1500	1,040	

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Item	Category	Figure for 2023	Figure for 2022	Remarks – Observations
Engagement/ file review findings ³⁹ according to Article 29(1)(i) of Directive 2006/43/EC	4.1. Number of findings made in respect of statutory audit engagements of PIEs	229	229	<ul style="list-style-type: none"> - Findings relating to the audit planning (KSB 210, 300, 315, 320, 330, 402) – FS (29), CFS (6), and FS and CFS in total (35); - Findings concerning the proper audit process and documentation (KSB 230, 250, 450, 500, 501, 505, 510, 520, 530, 550, 560, 580, 600, 610, 620) – FS (29), CFS (8), and FS and CFS in total (37); - Findings concerning communication with auditors and audit opinions (KSB 200, 260, 265, 700, 701, 705, 706, 710, 720) – FS (24), FS (6), and FS and CFS in total (30); - Auditor misconduct during the audit of financial statements, relating to fraud (KSB 240) – FS (15), CFS (2), and FS and CFS in total (17); - Breaches relating to the audit of accounting estimates (KSB 540) – FS (15), CFS (1), and FS and CFS in total (16); - Breaches relating to a going concern principle (KSB 570) – FS (3), CFS (0), and FS and CFS in total (3); - Findings concerning the quality control of audit engagements (NQCS1 and KSB 220) – FS (20), CFS (4), and FS and CFS in total (24); - Findings concerning non-compliance with Regulation No. 537/2014 – FS (23), CFS (7), and FS and CFS in total (30); - Other violations – FS (28), CFS (9), and FS and CFS in total (37); <p>Number of PIE audit engagements – FS (32), CFS (9), and FS and CFS in total (41).</p>
	4.2a Number of statutory audit engagements of PIEs with findings	40	66	
	4.2b. Number of statutory audit engagements of PIEs in without findings	1	13	

³⁹ Irregularities presented in pt. 4.0 (total number), 4.1 (number of those irregularities that relate to inspected documentation of PIEs audited) and 4.3 (number of those irregularities that concern inspected files of non-PIEs audited), as well as irregularities concerning the number of the statutory audit files audited in which such irregularities were found (in pt. 4.2a and 4.4a for PIE and non-PIE audit engagements respectively) and to the number of audited statutory audit files in which no irregularities were found (in pt. 4.2b and 4.4b for PIE and non-PIE audit engagements respectively).

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Item	Category		Figure for 2023	Figure for 2022	Remarks – Observations
		4.3. Number of findings made in respect of statutory audit engagements of non-PIEs	1271	811	<ul style="list-style-type: none"> - Findings relating to the audit planning (KSB 210, 300, 315, 320, 330, 402) – FS (220), CSF (12), and FS and CSF in total (232); - Findings concerning the proper auditing process and documentation (KSB 230, 250, 450, 500, 501, 505, 510, 520, 530, 550, 560, 580, 600, 610, 620) – FS (222), CFS (15), and FS and CFS in total (237); - Findings concerning communication with auditors and audit opinions (KSB 200, 260, 265, 700, 701, 705, 706, 710, 720) – FS (200), CFS (12), and FS and CFS in total (212); - Auditor misconduct during the audit of financial statements, relating to fraud (KSB 240) – FS (143), CFS (5), and FS and CFS in total (148); - Breaches relating to the audit of accounting estimates (KSB 540) – FS (96), CFS (3), in total (99); - Breaches relating to a going concern principle (KSB 570) – FS (23), CFS (2), in total (25); - Findings concerning the quality control of audit engagements (NQCS1 and KSB 220) – FS (89), CFS (8), in total (97); - Other violations – FS (209), CFS (12), in total (221); <p>Number of non-PIE audit engagements – FS (244), CFS (17), in total (262).</p>
		4.4a. Number of statutory audit engagements of non-PIEs with findings	257	185	
		4.4b. Number of statutory audit engagements of non-PIEs without findings	4	30	
5	Findings concerning operating procedures	5.0. Total number of findings	1980	443	
		5.1. Number of findings identified in audit firms/sole practitioners carrying out audits of PIEs	233	104	<ul style="list-style-type: none"> - Findings of national regulations (Act on Statutory Auditors) – 28 - Violation of Regulation No. 537/2014 – 5 Findings relating to KSKJ standard (in force until 31/12/2022) – 47 - Infringements (KSKJ 1-19) – 14 - Findings of ethical requirements (KSKJ20-25) – 1

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Item	Category	Figure for 2023	Figure for 2022	Remarks – Observations
				<ul style="list-style-type: none"> - Findings concerning the acceptance and continuation of cooperation with the client (KSKJ 26-28) – 3 - Findings concerning human resources (KSKJ 29-31) – 1 - Findings concerning the completion of engagement (KSKJ 32-34) – 2 - Findings concerning the quality control of the completion of engagement (KSKJ 35-44) – 8 - Findings concerning engagement documentation (KSKJ 45-47) – 8 - Supervision violations (KSKJ 48-56) – 9 - Findings concerning the documentation of the quality control system (KSKJ 57-59) – 1 <p>Findings concerning KSKJ1 standard (effective 1/01/2023) – 132</p> <ul style="list-style-type: none"> - Infringements (KSKJ 1 1-13) – 15 - Target violations (KSKJ 1 14-15) – 5 - Findings concerning the application of and compliance with relevant requirements (KSKJ 1 17-18) – 2 - Infringements relating to the quality management system (KSKJ 1 19-22) – 13 - Findings concerning the firm's risk assessment process (KSKJ 1 23-27) – 13 - Findings concerning corporate governance and leadership (KSKJ 1 28) – 5 - Findings concerning applicable ethical requirements (KSKJ 1 29) – 10 - Findings concerning acceptance and continuation of customer relationships and specific engagements (KSKJ 1 30) – 7 - Findings concerning the completion of engagement (KSKJ 1 31) – 4 - Findings relating to resources (KSKJ 1 32) – 9 - Findings concerning information and communication (KSKJ 1 33) – 6 - Findings concerning specific reactions (KSKJ 1 34 - 34-3) – 20 - Infringements relating to the monitoring and correction process (KSKJ 1 35-47) – 9 - Findings concerning requirements for networks or network services (KSKJ 1 48-52) – 2 - Infringements relating to the assessment of the quality management system (KSKJ 1 53 - 56-1) – 8 - Findings concerning documentation (KSKJ 1 57 - 60-1) – 4 <p>Findings relating to KSKJ2 standard – 16</p> <ul style="list-style-type: none"> - Findings concerning the appointment and appropriate qualification of performance quality controllers (KSKJ 2 17-23) – 9 - Findings concerning the quality control of the completion of engagement (KSKJ 2 24-27) – 4 - Findings concerning documentation (KSKJ 2 28 - 30-1) – 3

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Item	Category	Figure for 2023	Figure for 2022	Remarks – Observations
				Other (MSB, AML, Code of Ethics and other) – 5
	5.2a. Number of audit firms/sole practitioners auditing PIEs in which findings were identified	31	25	
	5.2b. Number of audit firms/sole practitioners auditing PIEs in which no findings were identified	1	12	
	5.3. Number of findings identified in audit firms/sole practitioners other than those carrying out audits of PIEs	1747	339	<ul style="list-style-type: none"> - Findings of national regulations (Act on Statutory Auditors) – 103 Findings relating to KSKJ standard (in force until 31/12/2022) – 294 - Infringements (KSKJ 1-19) – 63 - Findings of ethical requirements (KSKJ 20-25) – 26 - Findings concerning acceptance and continuation of cooperation with customers (KSKJ 26-28) – 21 - Findings concerning human resources (KSKJ 29-31) – 4 - Findings concerning the completion of engagement (KSKJ 32-34) – 19 - Findings concerning the quality control of the completion of engagement (KSKJ 35-44) – 62 - Findings concerning engagement documentation (KSKJ 45-47) – 8 - Supervision violations (KSKJ 48-56) – 73 - Findings concerning the documentation of the quality control system (KSKJ 57-59) – 18 Findings concerning KSKJ1 standard (effective 1/01/2023) – 1102 - Infringements (KSKJ 1 1-13) – 91 - Target violations (KSKJ 1 14-15) – 59 - Findings concerning the application of and compliance with relevant requirements (KSKJ 1 17-18) – 6

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Item	Category	Figure for 2023	Figure for 2022	Remarks – Observations
				<ul style="list-style-type: none"> - Infringements relating to the quality management system (KSKJ 1 19-22) – 84 - Findings concerning the firm's risk assessment process (KSKJ 1 23-27) – 90 - Findings concerning corporate governance and leadership (KSKJ 1 28) – 78 - Findings concerning applicable ethical requirements (KSKJ 1 29) – 86 - Findings concerning acceptance and continuation of customer relationships and specific engagements (KSKJ 1 30) – 80 - Findings concerning the completion of engagement (KSKJ 1 31) – 75 - Findings relating to resources (KSKJ 1 32) – 77 - Findings concerning information and communication (KSKJ 1 33) – 54 - Findings concerning specific reactions (KSKJ 1 34 - 34-3) – 86 - Infringements relating to the monitoring and correction process (KSKJ 1 35-47) – 93 - Findings related to network or network service requirements (KSKJ 1 48-52) – 16 - Infringements relating to the assessment of the quality management system (KSKJ 1 53 - 56-1) – 71 - Findings concerning documentation (KSKJ 1 57 - 60-1) – 56 <p>Findings relating to KSKJ2 standard – 208</p> <ul style="list-style-type: none"> - Infringements (KSKJ 2 1-13) – 30 - Findings concerning the appointment and appropriate qualification of performance quality auditors (KSKJ 2 17-23) – 73 - Findings concerning the quality control of the completion of engagement (KSKJ 2 24-27) – 64 - Findings concerning documentation (KSKJ 2 28 - 30-1) – 41 <p>Other findings (NAS, AML, Code of Ethics and others) – 40</p>
	5.4a. Number of audit firms/sole practitioners and not auditing PIEs in which findings were identified	124	79	

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Item	Category	Figure for 2023	Figure for 2022	Remarks – Observations
	5.4b. Number of audit firms/sole practitioners and not auditing PIEs where no findings were identified	2	8	

Source: own study.

3.2. Risk mitigation and systemic risk analysis

Table 5 below provides information on the measures adopted in Poland in 2023 in response to the identified irregularities and to the assessment of risks associated with these irregularities.

Table 5. Risk mitigation and systemic risk analysis

Item	Response	Category	Remarks – Observations
Risk mitigation			
1	No		For the 14 inspected audit firms auditing PIEs, the recommendations made have not been implemented satisfactorily. In all other cases, the recommendations were implemented in a satisfactory and timely manner.

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Item		Response	Category	Remarks – Observations
2	For the given reference period, were any irregularity identified as “recurring”, i.e. were the same Findings identified in relation to the same audit firm or statutory auditor in preceding inspection cycles? If answering 'yes' please indicate what remediation actions were assigned to the audit firm (or statutory auditor).	Yes	Quality control of the completion of audit engagements – quality controller	Administrative proceedings were initiated against the audited audit firm and disciplinary proceedings against the quality controller.
		Yes	Other	Incorrect documentation failing to meet formal requirements. Administrative proceedings have been initiated against the audit firm.
3	In the reference period, were regulatory sanctions imposed in response to the Findings identified in audits of PIEs (including outside the reference period)? Please provide details on the nature of such sanctions (and whether the procedure has been concluded upon).	Yes		<p>As a result of findings identified by PANA, inter alia in the course of the inspections carried out, administrative proceedings may be initiated against audit firms and disciplinary proceedings may be initiated against statutory auditors under the statutory powers granted. In connection with the improperly performed services, PANA has initiated and has administrative proceedings pending, in particular, against the audit firms auditing PIEs.</p> <p>In 2023, PANA issued 7 administrative decisions (including non-binding and non-final decisions) imposing penalties on audit firms auditing PIEs in connection with the violations identified in their statutory audits of PIEs, including:</p> <ul style="list-style-type: none"> • 1 penalty of prohibition to provide services covered by the standards of professional conduct • 1 waiver of penalty and discontinuance of proceedings (final and binding) • 5 penalty payments (1 final and legally binding). <p>In 2023, 7 court decisions imposing penalties on statutory auditors in connection with findings concerning their statutory audits of PIEs became final, including 3 of them imposing a warning and 4 of them imposing a penalty payment.</p>
Systemic risk analysis				

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Item		Response	Category	Remarks – Observations
	Did any of the Findings found in audits of PIEs in the reference period pointed to weaknesses in any of the following areas:			
4	Objectives and strategies (i.e. performance targets and indicators) of the audit firm	No		Not applicable
5	Financial soundness of the audit firm	No		Not applicable
6	Leadership and culture at the audit firm	Yes		For 1 inspected audit firm performing audits of PIEs, systemic risks related to the management and culture of the audit firm were identified. The systemic risk identified resulted from insufficient communication.
7	Overall quality of the audit firm's internal control system	Yes		For 4 inspected audit firms auditing PIEs, systematic risks were identified in relation to the overall quality of the audit firm's internal control system. The systematic shortcomings identified related to the lack of or insufficient review of the quality of the completion of audit engagements and internal oversight system.
8	Were there other instances of systemic risks (e.g. through enforcement actions, media messages) identified during the reporting period outside the inspection process? Please provide detail in the 'Remarks/Observations' column.	No		Not applicable

Source: own study.

4. Conclusions

Services provided by statutory auditors and audit firms, including in particular **statutory audit services provided to public-interest entities**, are monitored on an ongoing basis by the Polish Agency for Audit Oversight, as reflected in the numerous publications made available on the Agency's website⁴⁰ and in this report, which is based on the analysed information on statutory auditors and audit firms collected in accordance with the methodology developed by the Committee of European Auditing Oversight Bodies (CEAOB). Information provided for in the report comes from various sources, i.e. both from the Agency's databases and from those made available by the Polish Financial Supervision Authority and by the Polish Chamber of Statutory Auditors.

The key conclusions drawn on the basis of the monitoring of the market for the services provided by statutory auditors and audit firms in 2023 have been presented below.

With regard to the market for statutory auditors and audit firms, including its concentration, it should be pointed out that:

- At the end of 2023 there were almost 5000 statutory auditors in Poland, i.e. their number dropped by 2% (122 people) as compared to the preceding year and by almost 6% (290 people) as compared to 2 years ago. The downward trend has continued in this category for many years (the average annual decline over the last 11 years has been of approx. 200 people). Slightly more than half of the statutory auditors entered in the register of statutory auditors for several years declare that they have been practising: 52% at the end of 2023 (i.e. 2,600 SAs). **With regard to the decline in the number of statutory auditors, the Agency is monitoring the situation closely.** It is difficult to unambiguously assess the impact of this phenomenon on the quality of services provided by audit firms, but in assessing it is important to take into account other trends occurring in the audit sector, such as the increasing possibility that some of the tasks will be automated. It should also be stressed out that a similar phenomenon has also been observed in other economies for many years. **(see: pp. 12-22);**
- There are 1,200 audit firms operating on the market⁴¹, including one audit firm from an EU member state (the Czech Republic). **The number of audit firms in Poland is steadily declining:** the decrease in the total number of audit firms in 2023 was 49 (nearly 4%), and in the last 2 years it was 134 AFs (less than 10%). In the case of audit firms (auditing financial statements of both PIEs and non-PIEs), a significant proportion of deletions from the register resulted from the termination of their activities. The decline in the number of audit firms is also partially caused by the consolidation of their activities with other audit firms, which the Agency perceives as a positive development, often bringing synergies and giving statutory auditors additional support. **(see: p. 13);**

⁴⁰ Polish Agency for Audit Oversight website: pana.gov.pl

⁴¹ In addition, at the end of 2022, 1 audit firm from a third country (Great Britain) was entered in the register. In accordance with Article 204 of the Act on Statutory Auditors, the Polish Agency for Audit Oversight maintains a list of third-country audit firms, which is available at: <https://pana.gov.pl/komunikaty/lista-jednostek-audytorskich-z-panstw-trzecich/>.

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- Due to different regulatory regimes, audit firms operating in the market include audit firms that perform statutory audits of the financial statements of public-interest entities (in addition to providing audit services to non-PIEs) and audit firms that do not provide statutory audit services to entities classified as PIEs. The number of **audit firms performing statutory audits of public-interest entities in 2023 was 53⁴²** (by 5 entities or 9% less than in the previous year and by 14 entities or 21% less than 2 years ago). The average number of public interest entities per AF that carried out statutory audits of PIEs in 2023 was 22.6, which was higher than in previous years when it was 21.2 (in 2022), 20.6 (in 2021) and 20.5 (in 2015). In other European countries, the average number of PIEs per AF auditing PIEs varied, amounting to 16.2 in Germany and 5.3 in France in 2021, for example, against the EU average of 14.8. Audit firms auditing PIEs, together with the networks of which they are members, accounted for nearly 69% of revenues from statutory audits, with the total statutory audit revenues amounting to nearly PLN 1.06 billion. (see pp. 22-29);
- **The market for statutory audits of financial statements of PIEs, in general and for individual segments of PIEs, is dominated by the “big four” audit firms (which in alphabetical order include: Deloitte, EY, KPMG, PwC). Firms that form part of these four networks generated in total 60% of revenues from statutory audits of PIEs in Poland in 2023** (slightly more than in the previous year). Simultaneously, it should be pointed out that, none of these networks separately has a dominant, understood as exceeding 40%⁴³, position in the statutory audit market of the PIE audit market (see: pages 37-43);
- The analysis focusing on the most important sectors of PIEs, i.e. listed companies, banks, insurance companies and other (national PIEs) shows in particular that **two sectors are dominated by several audit firms. This applies to insurance and reinsurance companies and banks (see: pages 44-49)**. This concentration has persisted for several years, despite the mechanism of mandatory rotation of the network of firms carrying out statutory audits of PIEs, introduced by Regulation No. 537/2014 and the Act on Statutory Auditors;
- In the market for statutory audits of non-PIEs, there is a noticeable slight reduction in the share of audit revenues generated by the “Big Four” companies;
- In Poland, as in most EU countries⁴⁴, there is no statutory obligation imposed on any entity to be subject to joint audits, i.e. to engage more than one audit firm for the purposes of auditing financial statements of a single entity. Despite the existence of legal regulations allowing for such a solution to be adopted, this phenomenon, although it occurs, is not frequent, as in the last three years joint audits were performed 5 or 6 times a year. (see: page 14).

⁴² The Agency publishes, on an annual basis, a list of audit firms auditing PIEs in the preceding financial year. For 2023, this list can be found at: <https://pana.gov.pl/wp-content/uploads/2024/03/Wykaz-FA-JZP-2023-dokument-do-publicacji.pdf>.

⁴³ Pursuant to the Act on Competition and Consumer Protection of 16 February 2007 (Journal of Laws of 2021, item 275, as amended), a dominant position is defined as a position of a business entity that enables it to prevent effective competition on the relevant market by creating the opportunity for it to act, to a significant extent, independently of competitors, counterparties and consumers; a business entity is assumed to have a dominant position if its share in the of the relevant market exceeds 40%.

⁴⁴ The few exceptions are France, Bulgaria and Croatia.

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With regard to audit quality risks, it should be pointed out that:

- In Poland, audit firms are subject to planned inspections of their financial audit activities. Since its establishment, the Agency has been carrying out inspections of audit firms auditing PIEs and non-PIEs. The most common findings concerned:
 - planning of audits,
 - adequate audit process and documentation,
 - communication with supervisors and audit opinions,
 - violations of the KSKJ1 and KSKJ2 standards.

The findings ascertained during the inspections are discussed in detail and presented in publications made available on the Agency's website. (see: pages 51-58);

- The recommendations made to audit firms auditing PIEs as a result of the inspections carried out were, in the majority of cases, implemented in a satisfactory and timely manner in 2023 (some reservations were expressed about 14 of such firms). **(see: pages 58-61);**
- In several cases, if the same findings were made as in previous inspections for the same audit firm or the same statutory auditor, administrative or disciplinary proceedings were initiated.

Please be reminded you that a full assessment of the situation in the market for services provided by statutory auditors and audit firms in 2023 may be affected by the findings made in the administrative and disciplinary proceedings that have not yet been concluded at the publication hereof.

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