



Auditing in Europe: Public Interest Entities (PIEs)

Market structures in Germany,
France and the UK

mazars

F.A.Z.-INSTITUT

Preface

What is happening with market diversity in Europe?

After many years of groundwork, the EU passed a new Audit Directive and an Audit Regulation in 2014 to amend the regulation of auditing in Europe. As early as 2010, the EU Commission had initiated the reform process with its Green Paper “Audit Policy: Lessons from the Crisis”. In this document, the role of auditing in the global financial crisis is examined with the aim of preventing similar crises in the future. The authors came to the conclusion that auditing in Europe had to be reorganised.

The main objective of the EU reform was to improve the quality and independence of the audit. In addition, the reform aimed to increase the informative value of the audit results, with a view to “enhancing the degree of confidence of the public in the annual and consolidated financial statements” (EU Regulation No. 537 of 2014). A further objective was to harmonise the audit in the EU.

Regulation No. 537 focuses on the auditing of financial services providers and capital market-oriented companies. The aim was to improve the audit process, particularly in the case of these companies of public interest – generally referred to as public interest entities (PIEs), and in French: entités d’intérêt public (EIP). The EU hoped to achieve this among other things by enabling smaller audit firms to gain easier access to the market for audit engagements – which is dominated by the four large audit firms – by implementing obligatory rotation of auditors and giving Member States the option of introducing mandatory joint audits. The regulation contains numerous further rules and requirements which PIEs and their auditors must fulfil. Further-

more, the EU Member States may also enact stricter rules.

The objective of this study is to take a closer look at the market for audits in the PIE segment seven years after the passing of the EU audit reform. Taking the examples of the three countries Germany, France, and the UK, the last of which left the EU in 2020, the study aims on the one hand to illustrate the size of the PIE market for audits and on the other hand to depict the concentration of the market with an eye to the Big 4 and the Next 10 in the auditors’ ranking list. Do small audit firms stand any chance of securing a PIE audit engagement? How are the mandatory joint audits, such as France had introduced for consolidated financial statements as far back as 1966, affecting the audit market?

The collection of data for this study, which was conducted over several months, met with diverse obstacles in these three countries. As became evident in the course of our research, the market for PIE audits is not very transparent. Although auditors who audit PIEs are obliged to publish transparency reports, this fact does not make all the relevant data for the PIE audit market accessible. There is no central EU-wide data collection on PIEs and PIE auditors.

This study aims to close this gap and, on the basis of our own research and analyses, illustrate how the market for PIE audits is structured and how different regulations at the national level affect market structures.

We hope you enjoy reading this study!

Contents

Preface

- 2** What is happening with market diversity in Europe?

Executive summary

- 4** Reforms to date have not increased market diversity

The legal situation

- 6** European framework and national regulations

Findings I

- 11** PIEs – a significant economic factor

Findings II

- 18** Joint audits ensure diversity in the PIE audit market

Methodology

- 29** Acquiring the market data

Executive summary

Reforms to date have not increased market diversity

Up to now, both the EU's audit reform of 2014 with its specific provisions for public interest entities (PIEs) and other reforms have not led to significantly greater diversity in the audit market. In Germany and the UK, the Big 4 continue to dominate the market, including and particularly in PIE audits. However, the example of France shows that it is possible to open up the market for competitors with the aid of mandatory joint audits.

In the most economically important countries in Europe, auditing is dominated by an oligopoly.

Four audit firms command the market for auditing services in Germany, the UK, and France. The only difference in the respective positions of the Big 4, Deloitte, EY, KPMG, and PwC is in their ranking from 1 to 4. In Germany and the UK, the share of the combined revenue of the top 14 audit firms held by the Next 10 auditors is far below 20 percent. In France, in contrast, their market share is almost 30 percent.

The economically important and particularly heavily regulated public interest entities (PIEs) are audited by only 26 audit firms in the UK, by 65 in Germany – and the Big 4 conduct by far the largest share of the audits. In France, in contrast, there are 256 providers on the PIE audit market.

In 2020, the Big 4 in the UK audited four out of every five PIEs. In Germany, this share was a little lower. In France, in contrast, the market is significantly more fragmented: There, the Big 4 only garnered two out of every five joint audit engagements, the Next 10 one out of five and smaller audit firms nonetheless secured two out of every five.

When analysed in terms of the economic strength of the audited PIEs, the concentration in the UK and Germany is even higher. In the UK, the Big 4 held audit engagements in 2020 covering 99 percent of the combined turnover of the listed PIEs, 98 percent of the gross premiums of the insurance companies and almost 100 percent of the combined total assets of the financial institutions. In Germany, the equiva-

lent shares were only slightly lower. In contrast, the situation in France is much more diverse: The Big 4 achieved a market share of 76 percent among listed PIEs, among financial institutions 72 percent, and among insurance companies 50 percent.

The EU's political goals – more market diversity for quality and stability – have not been achieved as yet.

The EU set itself the goal of enhancing confidence in the capital markets through higher quality of audits and thereby also of preventing a repetition of the financial crisis of 2007. Predominantly, the EU aims to achieve this goal through greater competition and market diversity in audit services. This was therefore the motivation behind the audit reform of 2014. However, as market data we have collected demonstrates, the concentration in the market for auditing services remains extremely high. Evidently, the measures undertaken at that time were not adequate.

Germany is also aiming to achieve greater market diversity and independence among audit firms with the passing of the Financial Market Integrity Reinforcement Act (FISG). However, here too, the measures are not fulfilling their purpose. Mandatory auditor rotation after 10 years instead of 20 and the separation of auditing and consultancy services will probably not put an end to the oligopoly of the Big 4, because experience shows that rotations generally occur within these four audit firms. In addition, in a rotation, companies are more likely to switch from a smaller audit firm to a Big 4 auditor than the reverse.

France has broken the trend towards oligopolies with mandatory joint audits and has already achieved greater market diversity today.

France is the only country with an obligation to conduct PIE audits as joint audits with at least two audit firms (also intended as an incentive to extend the rotation deadline by a maximum of a further 14 years without tender). While joint audits were recommended in the 2014 EU reform, they were not made mandatory for the Member States. Therefore, there are virtually no joint audits in Germany and the UK.

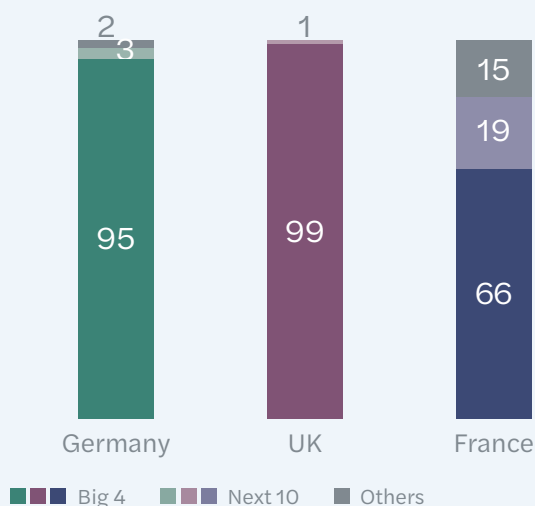
Because of the mandatory joint audits in France, the Next 10 and other audit firms have a significantly stronger market position there than in the UK and Germany. This is evident in the market shares in both the overall auditing market as well as specifically for PIE audits: In France, the PIE audit engagements are distributed a lot more heavily across different audit firms.

By calculating the average of the audit firms' market shares among listed companies, insurance companies and financial institutions, the difference in market concentration in Germany, the UK, and France is immediately clear (see graph below on the left): Accordingly, the Big 4 command a market share of 99 percent of the PIE audits in the UK, 95 percent in Germany and only 66 percent in France. The Next 10 account for just 1 percent in the UK, 3 percent in Germany and 19 percent in France.

France is the only country where other, smaller audit firms beyond these two groups hold any sway in the PIE audit market: Their average market share is around 15 percent. Thus, the dominance of the Big 4 in countries without mandatory joint audits is clearly discernible. In contrast, the diversity of the PIE audit market in France stands out, where joint audits have been mandatory for a long time.

Country comparison: PIE audit firm diversity only exists in France

Average market shares of audit firms in PIE audits by country in 2020 in percent¹⁾



1) For this calculation, see chart on page 28 (for each country, the average of the market shares of listed companies, insurers and financial institutions was calculated)

Sources: F.A.Z. Business Media | research, Mazars

Data collection

A four-step procedure was selected for the market analysis of the audit market and PIE audits in Germany, France, and the UK:

1. Identification of the respective top 14 audit firms in Germany, France, and the UK based on their combined turnovers.
2. Identification of public interest entities (PIEs) in Germany, France, and the UK.
3. Compilation of the key figures of all the PIEs identified using the annual reports of these companies (revenues for listed companies, gross premiums for insurers, total assets for financial institutions).
4. Aggregation of the PIE data and calculation of the market shares of the Big 4 and the Next 10 audit firms as well as of other auditors in the PIE audit segment – according to the number of companies and according to the key financial figures of the PIEs.

The legal situation

European framework and national regulations

Seven years ago, the EU implemented its audit reform to enhance audit quality and market confidence. The aim was to take a closer look at public interest entities in particular, as well as to increase auditor diversity. At the national level, further adjustments were implemented or are planned.

The global financial crisis at the end of the noughties prompted regulators worldwide to take action to prevent a second crisis of this magnitude. Apart from new rules for financial markets, one of the other measures undertaken in Europe was the reorganisation of auditing. In 2014, the European Parliament and the Council enacted the amended Audit Directive 2014/56/EU, while the 2014 Regulation No. 537 implemented additional requirements for auditing public interest entities. The aim was to enhance the independence of auditors and improve the quality of auditing overall.

Public interest entities comprise companies whose securities (shares and debt securities) are traded on an EU regulated market, as well as financial institutions and insurance companies. France has a broader definition of a PIE than Germany or the UK. While the latter two have implemented the definition in the EU directive word for word, companies whose consolidated assets exceed a certain threshold also fall within the definition of a PIE in France. The PIEs' annual financial statements or consolidated financial statements must be audited by auditors who are authorised to do so. There are detailed requirements for the audits to ensure a high standard of auditing and to contribute to harmonisation in the EU internal market overall. The Regulation came into effect on 16 June 2014 with a transition period of two years. Since 17 June 2016, the regulation has been applied EU-wide.

The EU Member States have a certain amount of latitude in their definition of a PIE and the individual rules for auditing them. Thus, the Member States can define as PIEs additional categories of company which are of public interest in their country, for example because of their size or their business model. They can also adapt individual stipulations, for example the mandatory rotation of auditors or the scope of consultancy services. Before Brexit, the UK had implemented the requirements. The umbrella organisation for European auditors, Accountancy Europe, last

published a study in 2019 in which the different PIE definitions of the EU Member States were explained ("Definition of Public Interest Entities in Europe").

PIE characteristics must be assessed for each company individually, including those in a corporation. This means that a subsidiary which holds a banking license fulfils the definition of a PIE. However, the parent company should not be classified as a PIE unless it fulfils the definition of a PIE in its own right. Here too, however, there can be specific rules at the national level.

The amendments to the Audit Directive and the Regulation necessitated considerable changes to national laws and audit requirements. However, the EU Regulation has also applied directly since 17 June 2016. Auditor supervision was also reorganised in Europe: Supervision of those firms auditing PIEs must now lie with national authorities which are headed by non-practitioners.

The most important stipulations for the PIE audit

The EU Regulation contains a number of provisions which the PIEs and their auditors must fulfil. The following rules are a selection of the most important provisions which are also relevant for this study:

Auditor rotation

Fundamentally, an audit engagement for a PIE may not run longer than 10 years. After the maximum duration has been expended, neither the audit firm nor members of its network may accept the audit engagement again within the following four years (cooling-off period). National amendments to these upper limits are possible, however. Thus, in France, the maximum duration of the audit engagement can be extended to 16 years if a tender was issued after 10 years, and in the case of joint audits up to 24 years. This does not apply to financial institutions and insurance companies. In the UK, the limit is 20 years if a new tender was issued after 10 years.

An extension using a joint audit is not possible. The minimum engagement duration is six years in France, while it is one year in Germany and the UK.

At the latest after seven years, the key audit partners in the audit firm must terminate their involvement in the audit. A curtailment of this time period is feasible.

Prohibited non audit services (NAS)

The Regulation contains a list of non audit services which a PIE auditor is prohibited from offering to the PIE under audit or to the subsidiaries of a PIE corporation (blacklist). These include tax consultancy, consultations on bookkeeping or on financing, as well as valuation services. However, Member States may enact exceptions or even extend the blacklist.

Permitted non audit services

The total fees for permitted non audit services may not exceed 70 percent of the average of the total fees paid in the previous three years for audit services. The Member States may permit an overrun of this maximum threshold, but for no longer than two years. Conversely, they may also set a lower maximum threshold, however.

Appointment of audit firms

A PIE's audit committee is responsible for selecting the audit firm. After it has completed the selection process, the committee presents a recommendation for engaging an auditor to the supervisory board.

This recommendation must be justified and contain at least two proposals. The Member States may permit alternative procedures for appointing the auditor.

The Member States can decide that PIEs must appoint at least two auditors – for a joint audit – as a general rule. By incorporating a provision of this type, the EU hopes for greater market diversity and stronger participation of smaller audit firms. Thus Article 20 of the Regulation states: "The appointment of more than one statutory auditor or audit firm by public interest entities would reinforce the professional scepticism and help to increase audit quality."

Transparency report

Auditors who conduct audits for PIEs must publish a transparency report at the latest four months after the end of each financial year.

The transparency report includes:

- A description of the legal and ownership structure as well as of the management structure of the audit firm
- Information about the audit firm's network
- A list of the PIEs for which the audit firm had conducted audits in the previous fiscal year
- A declaration on the firm's internal measures to ensure independence,





- The information and breakdown of the audit firm's total revenue.

The transparency report must be published on the audit firm's website. The report must be available on the website for five years. Apart from preparing a transparency report, the audit firm also has obligations to inform the competent authority. These obligations among other things comprise a list of the PIEs it audited.

Auditing oversight

The EU provides for the oversight by an independent oversight body of the activity of auditors when conducting an audit of public interest entities.

Germany retrospectively tightened implementation

In Germany, the EU Regulation was implemented by two laws: the Audit Reform Act (Abschlussprüfungsreformgesetz – AReG) and the Auditor Oversight Reform Act (Abschlussprüferaufsichtsreformgesetz – APAREG). While the APAREG among other things implemented a new oversight law, the AReG implemented new regulations for PIE audits, for example the external rotation of audit firms and a blacklist of prohibited non audit services. Both laws came into effect on 17 June 2016 and among other things contained an amendment to the Public Accountant Act (Wirtschaftsprüferordnung – WPO) and the German Commercial Code (HGB). An Auditor Oversight Authority (APAS) was set up under the aegis of the Federal Office of Economics and Export Control (BAFA) to conduct independent oversight of PIE audits. Germany used some of the existing options and latitude when implementing the EU Regulation to mitigate individual regulations for PIEs and their auditors.

The German Commercial Code defines three categories of PIE (§ 316a sentence 2 HGB):

- Capital market-oriented companies as defined in § 264d HGB
- Capital requirement regulation (CRR) financial institutions as defined in § 1 Par. 3d sentence 1 of the German Banking Act (Kreditwesengesetz), with certain exceptions. Among these exceptions are Deutsche Bundesbank, Germany's central bank, and KfW, Germany's state-owned investment and development bank, which are not PIEs. Germany exercised an option in the EU Regulation for savings banks (Sparkassen) and cooperative banks (Genossenschaftsbanken). Both of these groups are audited by their respective associations instead of by audit firms. Capital requirement regulation (CRR) investment firms which are capital market oriented are also categorised as PIEs.

- Insurance companies. These include life assurance, indemnity insurance and reinsurance companies. They do not include pension funds and pension schemes, as well as death funds.

However, in reaction to the 2021 Wirecard accounting scandal, Germany retrospectively tightened the regulations: The Financial Market Integrity Reinforcement Act (FISG) reversed some of the decisions which Germany had taken regarding options when it implemented the EU Regulation. The FISG – with the exception of some provisions which did not come into effect until 2022 – came into force on 1 July 2021.

Since then, tax consultancy and valuation services have been completely prohibited for audit engagements from financial year 2022. Moreover, the duration of an audit engagement has now been categorically limited to 10 years. Even briefly exceeding the 70 percent limit for non audit services will no longer be tolerated. Public interest entities are now always obliged to set up an audit committee: at the latest since 1 January 2022, it is now compulsory for PIEs to appoint an audit committee.

The UK is considering a further reform

In the UK, EU Regulation No. 537 came into effect directly on 17 June 2016. In the same year, the “Statutory Auditor and Third Country Auditors Regulation 2016 (SATCAR 2016)” for the implementation of the amended EU Audit Directive came into effect in the UK. After Brexit, these regulations remain in effect, although the formal connection to the EU has been abrogated.

The UK adopted the EU’s definition of a PIE more or less literally. According to this definition, public interest entities are:

- Issuers of securities which are admitted to trading on a regulated market in the UK
- Financial institutions pursuant to Art. 4 (1) of EU Regulation No. 575/2013
- Insurance companies

The UK also categorises investment trusts as capital market-oriented companies. Investment trusts are founded as companies and traded on the London Stock Exchange. Like every listed company, investment funds must publish an annual report and an audited financial statement every year.

The competent supervisory authority for the oversight of PIE auditors is the Financial Reporting Council (FRC), which was already responsible for auditor oversight before the reform. However, the UK government is currently planning to transfer oversight of PIE auditors to a new government agency: the Audit, Reporting and Governance Authority (ARGA), which has yet to be established. It is set to be equipped with more power than the FRC to enable it to enforce its oversight mandate effectively. In future, its competencies will include the approval of PIE auditors.

These plans are all associated with a tightening of the regulations for auditors in the UK to restore the confidence of shareholders and other stakeholders following a series of accounting scandals including BHS, Patisserie Valerie, and Carillion. In preparation for the current reform, the UK government had commissioned three reports. Among other things, it was discovered that one-third of the audits conducted by the seven largest audit firms required significant improvement. Furthermore, concerns were expressed about the high level of concentration in the audit market.

The shortcomings of the UK audit market were summarised in the Secretary of State for Business, Energy and Industrial Strategy’s white paper “Restoring trust in audit and corporate governance”. One of the comments in the 2020 white paper states: “It is not healthy for audit quality that the UK audit market is so concentrated, with 97 percent of FTSE 350 audits undertaken by just four audit firms. This concentration is not helped by the fact that those firms also compete to provide a wide range of other business services to the largest companies.”

Among the measures suggested in the white paper are greater personal responsibility for management board members, the creation of a new regulatory authority, more competition among auditors and fewer conflicts of interest with non audit services. Within the audit firms, there should be greater separation between the areas of auditing and non audit services.

In order to boost competition, the white paper also proposes the introduction of compulsory shared audits. In contrast to the joint audit, in a shared audit one auditor assumes overall responsibility and delegates parts of the auditing work to other audit firms. Moreover, an upper limit for audit firms’ market share of the FTSE 350 companies market is even being considered as a potential escalation measure.

Whether and when this reform will be implemented was unknown at our editorial deadline. It is conceivable that stricter regulations may only be initially implemented for auditing the largest PIEs. This can then be effectuated at short notice as well. Market observers do not expect comprehensive implementation before 2023.

France is going its own way with joint audits

In France, the EU Regulation was transposed into national legislation with the law, “Ordonnance n° 2016-315 du 17 mars 2016 relative au commissariat aux comptes”. In enacting this law, France went above and beyond the EU provisions and used the latitude provided for stricter regulations. These include defining additional categories of company as PIEs. The most important difference in comparison with almost all other EU Member States is the obligation to conduct joint audits, and thus to engage at least two audit firms for the audit. This has applied

since as far back as 1966 (for consolidated financial statements).

In 2020, the law was complemented by the decree, “décret 2020-667 du 2 juin 2020 relatif à la Compagnie nationale et aux compagnies régionales des commissaires aux comptes”. According to this decree, annual financial reports of domestic issuers must be prepared in a standardized European electronic format (European Single Electronic Format, or ESEF) with effect from 1 January 2020.

The regulatory authority for PIE audits is the “Haut conseil du commissariat aux comptes (H3C)” (High Council of Statutory Auditors), which is independent from the auditing profession. This is a government authority which regulates the auditor’s profession in France and is supervised by the Ministry of Justice. It was established by the Financial Security Act of 1 August 2003 (“la loi de sécurité financière du 1er août 2003”). Its financial autonomy and independence for the fulfilment of its tasks are enshrined in the French Commercial Code. The H3C’s tasks are stipulated in Article L. 821-1 of the Commercial Code. In France, all auditors are compulsory members of the auditors’ association Compagnie nationale des commissaires aux comptes, CNCC, or its regional CRCC units.

In France, the following categories of company are considered to be entités d’intérêt public (EIP):

- Companies whose shares or other financial securities are listed on a regulated market (Euronext)
- Issuers of debt securities
- Financial institutions
- Insurance companies
- Mutual associations
- Pension funds
- Insurance groups (for mutual associations and for social security funds) as well as societies of mutual associations
- Insurance companies and financial holding companies whose total assets exceed a threshold stipulated by decree (currently EUR 5 billion), including financial holding companies which own at least one financial institution, as well as mixed financial holding companies which own at least one PIE.

In France, savings banks and cooperative banks are not audited by the savings banks’ own auditing agencies or by cooperative bank associations, as is the case in Germany, but instead by independent audit firms. For this reason, for France the key financial figures of these two groups were also collected from financial institutions and used to calculate the market shares.

EU: Market diversity not achieved

In February 2021, an EU report was published on the state of the market for audits among the 28 EU Member States in order to assess the effects of Regulation No. 537 as of 2018, when the UK was still an EU Member State. According to the report, the EU did not achieve its target of enhancing diversity in the market for audits through strict regulations and incentives to stimulate competition. On the contrary: From 2015 to 2018, the number of audit firms which audit PIEs declined by more than one-third to 1,127 from 1,742. The overall number of audit firms also contracted during this period: by 6 percent to 30,504.

However, the total number of PIEs themselves also shrank by more than one-third in these three years: from 25,275 to 16,418. Of these firms, 44 percent were listed companies. According to the report, the sharp decline in PIE numbers can predominantly be attributed to the fact that the EU Member States had meantime defined fewer additional “national PIEs” than three years previously.

Based on the number of PIE audits on a European average, the Big Four had a market share of 66 percent of PIE audits in 2018. Audits with more than one auditor (joint audits) were conducted almost exclusively in France in 2018.

In 2018, around 9 percent of the revenue of auditors in Europe who audit PIEs emanated from PIE audits. Overall, audits – including PIEs – accounted for 35 percent of revenue, the rest was from non audit services for PIEs and other companies. Based on auditors’ total revenue, the Big Four had a market share of 80 percent.

In the report, the EU highlights the high concentration on the audit market and the danger which that can entail for the independence of the audits, audit fees and audit quality. The high share of non audit services could also have a negative influence on independence. Ultimately, the EU provisions only prompted the field of PIE auditors to thin out even more.

Findings I

PIEs – a significant economic factor

A total of 4,205 public interest entities (PIEs) were identified in the three countries surveyed: Germany, the UK, and France. Our analysis of the key financial figures highlights the major significance of the PIEs for the individual economies – beyond the pure financial sector too. For this reason, a high level of quality and independence in the auditing of these companies is immensely important to boost confidence in the economy.

According to the EU definition, public interest entities (PIEs) include all companies listed on regulated markets, as well as financial institutions and insurance companies (see page 6). The PIEs make a considerable contribution to the respective countries' gross domestic product, they act as the mainstay of the capital and financial markets and are therefore decisive for economic stability.

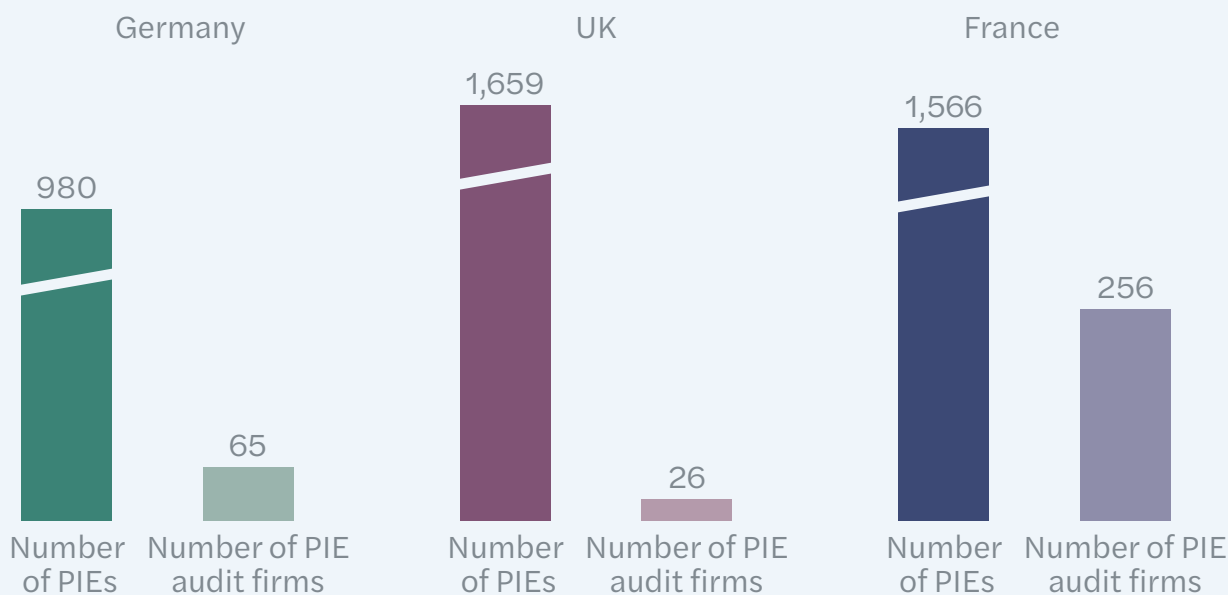
For this reason, the annual financial statements of these PIEs must be of a particularly high quality. They are audited by specially approved statutory auditors – taking into consideration numerous EU regulations

which can be tightened at the national level. PIEs are among the audit firms' most important customers. In fact, they commission the lion's share of the audit firms' services. A functioning audit market with broad competition is of vital importance for the quality of the PIE audits.

In this chapter, we will initially outline the significance of PIEs for the economies in Germany, the UK and France. The subsequent chapter will take a closer look at the PIEs' audit firms and examine the market diversity of these auditors to draw conclusions about the strength of competition in the market.

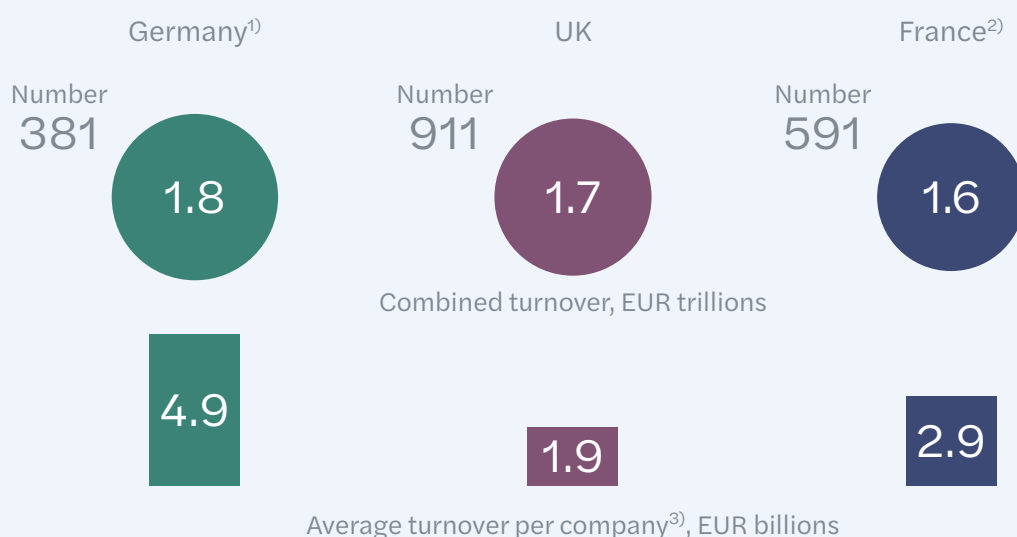
Highest number of PIEs identified in the UK

Number of PIEs and PIE audit firms in 2020



Sources: Auditors' associations, Financial Reporting Council, H3C, F.A.Z. Business Media | research, Mazars

Listed PIEs: Higher numbers in the UK, fewer but larger companies in Germany (2020)



1) There was no data available for seven German companies

2) There was no data available for 44 French companies

3) Only companies for which figures were available were included in the calculation

Sources: F.A.Z. Business Media | research, Mazars

German PIEs – lower numbers than in France or the UK

In Germany, there are 980 public interest entities. These can be subdivided into 381 listed or capital market-oriented companies, 341 insurance companies, and 258 financial institutions.

Listed PIEs

Together, the 381 listed PIEs in Germany generated turnover of EUR 1.8 trillion in 2020. Thus, they comprise almost one-third of German companies' economic strength. According to German marketing and consumer data company Statista, a company in Germany earned an average EUR 2 million in turnover (2021) every year; in contrast, in the case of listed PIEs, the comparable figure is around EUR 4.9 billion.

For more detailed classification, the PIEs can be divided into three groups of almost equal size: Accordingly, there were 116 PIEs with a turnover of at least EUR 1 billion in Germany in 2020, 132 companies with a turnover of between EUR 100 million and EUR 1 billion, and 126 companies with turnover below EUR 100 million.

No turnover figures could be ascertained for seven listed PIEs. In these cases, some of the companies are PIEs which were no longer listed when this study was published. However, since the study deals with the audit firms' current transparency reports, these companies were also included.

There are 37 German PIEs in the DAX 40, which was recently expanded. Only Linde plc, Airbus SE and Qiagen N.V., which are also listed in the DAX 40, are not German PIEs, because they have their company

headquarters outside Germany. The 10 largest listed PIEs, which include Volkswagen, Mercedes-Benz Group, and Deutsche Telekom, generate combined turnover of EUR 922 billion and thus around 51 percent of the total turnover of listed German PIEs.

Insurance companies

Combined gross premiums of the 341 German insurance companies which are defined as PIEs came to EUR 397.5 billion in 2020; that means that one PIE insurance company posted average gross premiums of EUR 1.2 billion. Likewise, if we divide the insurance companies into three groups of relatively equal numerical size, we obtain the following breakdown: In Germany, there are 65 PIE insurance companies with gross premiums of at least EUR 1 billion, 144 insurance companies with gross premiums of between EUR 100 million and EUR 1 billion, and 128 insurance companies with gross premiums below EUR 100 million. No key financial figures could be ascertained for four insurance companies, since in some cases these were companies that had been liquidated.

Financial institutions

The number of German PIE financial institutions was 258. Together, these companies generated total assets of EUR 6.8 trillion in 2020. Thus, an average PIE bank in Germany had total assets of EUR 29.1 billion. If we calculate the median instead of the average as an indicator and thus the mean value of all total assets, we obtain a figure of EUR 1.8 billion.

Similarly, we divided the financial institutions into three size clusters, where we found that financial institutions with total assets under EUR 1 billion constituted the largest group at 95 banks. There were

76 financial institutions with total assets of at least EUR 1 billion; while 62 PIE banks posted assets of more than EUR 10 billion. The 10 largest PIE financial institutions achieved combined total assets of EUR 4.1 trillion. No financial figures could be ascertained for 25 companies, because the majority of these companies were special purpose entities, which do not publish any turnover figures.

UK PIEs – a strong banking sector

There are considerably more public interest entities in the UK than in Germany. Thus, there were 1,659 UK PIEs in 2020, and thus around 700 PIEs more than in Germany. Likewise, the numbers of listed PIEs (911) and financial institutions (531) are also significantly higher than on the German market, only the figure of 217 for insurance companies appears comparatively low.

Listed PIEs

To enable an initial classification of the UK PIE market, the most convenient method is to look at the FTSE 100 companies. The FTSE 100 is the most important UK stock market and mirrors the share prices of the 100 largest companies by market capitalisation listed on the London Stock Exchange. Of the FTSE 100 companies, there are 88 UK PIEs, among them oil giant BP, major bank HSBC and pharmaceutical manufacturer AstraZeneca. Twelve FTSE companies have their headquarters outside the UK, three of them on the Isle of Man or the British Channel Islands.

Overall, the listed or capital market-oriented PIEs comprised the largest individual category in the

UK too by a broad margin: There were 911 listed PIE which together achieved turnover of EUR 1.7 trillion in 2020. The number of companies in the three size groups varies markedly: 508 companies, and thus a little more than half, post turnover below EUR 100 million. These generate on average around EUR 19 million. In the UK, many listed small and medium-sized companies fall into the PIE category.

In the UK market, 225 listed PIEs generated turnover of between EUR 100 million and EUR 1 billion. Those PIEs that post turnover of at least EUR 1 billion constitute the smallest group in terms of numbers. However, these 178 companies together generate turnover of EUR 1.6 trillion and thus account for 94 percent of the turnover of all listed PIEs.

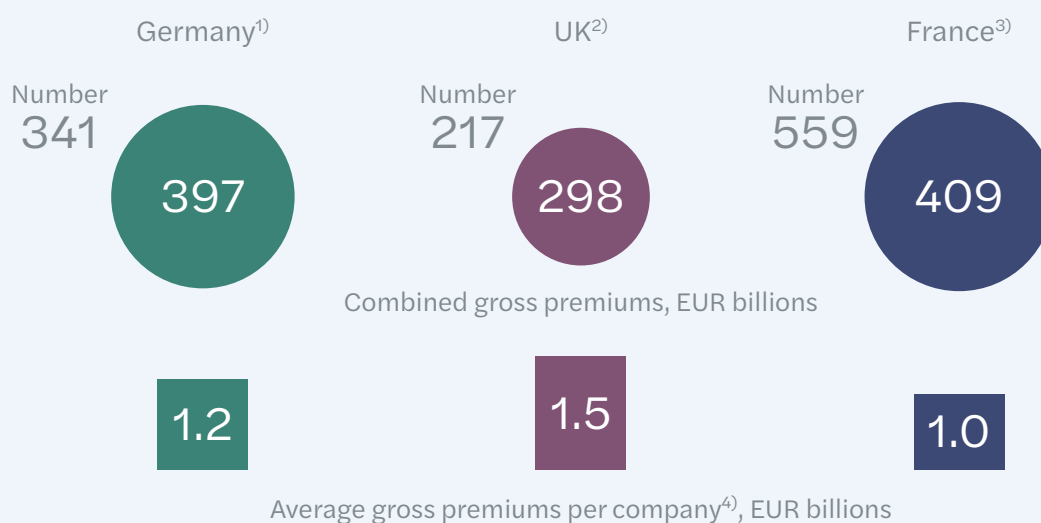
Insurance companies

In the UK there are 217 PIE insurance companies, which posted combined gross premiums of EUR 298 billion in 2020. The 44 largest insurers – earning gross premiums of more than EUR 1 billion – generated the lion's share of this amount. Together, they had gross premiums written of EUR 271 billion. The 10 largest UK PIE insurance companies made at least EUR 7 billion in gross premiums. In the UK, 58 insurance companies posted gross premiums which were between EUR 100 million and EUR 1 billion. The largest group were 109 PIE insurance companies with gross premiums below EUR 100 million. No data was available for six insurance companies.

Financial institutions

For the UK market, the company classifications of financial institutions, investment trusts and financial services providers were amalgamated into a

PIE insurance companies: France and Germany have broad insurance sectors (2020)



1) There was no data available for four German insurance companies

2) There was no data available for six UK insurance companies

3) There was no data available for 128 French insurance companies

4) Only insurers for which figures were available were included in the calculation

Sources: F.A.Z. Business Media | research, Mazars

single category of financial institutions/financial services providers. The reason for this is that for all three company groups, total assets were used as the relevant key figure.

There were 531 UK financial institutions/financial services providers in 2020. Together, these companies accounted for combined total assets of EUR 13.6 trillion. Thus, a UK PIE financial institution on average generated total assets of EUR 22 billion. The median figure of EUR 394 million is significantly lower, since extremely large financial institutions were excluded. Only 54 companies accounted for the lion's share of the UK financial institutions/financial services providers combined total assets. They own more than 97 percent of the category's total assets. The 10 largest UK PIE financial institutions alone achieved combined total assets of EUR 7.8 trillion. Financial institutions like Barclays, HSBC or the Lloyds Banking Group are among the largest banks worldwide.

The largest groups numerically are those financial institutions and financial services providers whose total assets are below EUR 10 billion. In the UK market there are 112 financial institutions whose total assets are between EUR 1 billion and EUR 10 billion, and 365 companies whose total assets are below EUR 1 billion. These financial companies which are the smallest in terms of total assets are very numerous in the UK and account for significantly more than half the PIE financial institutions/financial services providers.

French PIEs – a fragmented market

In 2020, there were 1,566 identifiable public interest entities in France – thus the figure was almost as high as in the UK. Of these, 591 were either listed or capital market-oriented companies, 416 were financial institutions and 559 were insurance companies or insurance-related companies. In general, it should be noted that the number of PIEs in France is comparatively large because of the very broad legal definition of French PIEs (see page 9).

Listed PIEs

Most of the companies in the CAC 40, the leading index of the top 40 French stock corporations, are PIEs. Of these constituents, 35 companies are considered to be French companies of public interest. Only the firms Airbus, ArcelorMittal, Eurofins Scientific, STMicroelectronics and Stellantis, the parent company of Fiat-Chrysler and the PSA Group, are not French PIEs, since they have their headquarters outside France. The largest CAC 40 companies by turnover are oil giant Total, insurance corporation AXA and retail corporation Carrefour.

Together, all 591 French listed public interest entities generated total turnover of EUR 1.6 trillion, which averages at EUR 2.9 billion per company. Similar to Germany and the UK, the companies with the highest

turnover constitute the smallest group numerically: 137 of the French companies earn turnover of at least EUR 1 billion and together account for turnover of around EUR 1.5 trillion.

The ranking of the 10 largest listed PIEs is led by the Total Group, the Carrefour corporation and majority state-controlled Électricité de France. In contrast, the 170 medium-sized listed PIEs, which generate turnover of between EUR 100 million and EUR 1 billion, only post combined turnover of EUR 63 billion. The largest group numerically is the one where the companies have the lowest turnover. In France, there are 240 companies with turnover of below EUR 100 million. No turnover figures could be ascertained for 44 companies – among other things because no key financial figures could be found for the vast majority of these companies.

Insurance companies

There are 559 PIE insurance companies in France. They post gross premiums of EUR 409.1 billion. Average gross premiums are thus at around EUR 949 million. In France, there is a comparatively high number of smaller insurers at 231 companies – with gross premiums below EUR 100 million – while the number of medium-sized companies with gross premiums of between EUR 100 million and EUR 1 billion is 137.

However, the lion's share of the total gross premiums earned by all French PIE insurance companies is generated by the 63 insurance companies whose gross premiums are at least EUR 1 billion. Together, these companies achieve gross premiums of EUR 351.4 billion and thus 86 percent of the total amount.

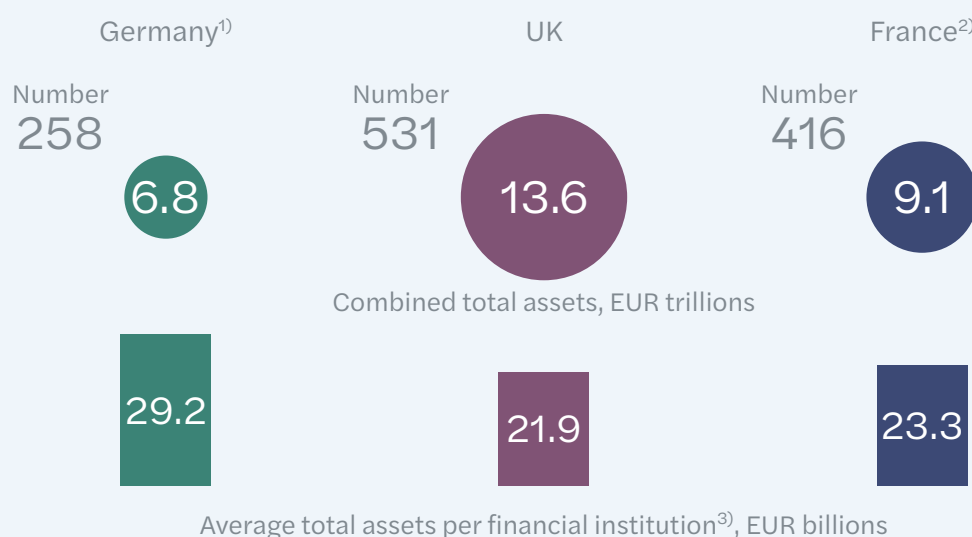
Among the largest insurance companies are Credit Agricole Assurances, CNP Assurances and the AXA Group. The 10 largest insurance companies posted gross premiums of EUR 188 billion and thus almost half the gross premiums of all 558 French PIE insurance companies. No financial data could be ascertained for 128 insurance companies, since neither financial reports nor key figures could be determined for them.

Financial institutions

In France, there are 416 PIE financial institutions. They earned combined total assets of EUR 9.1 trillion. Thus, the average total assets figure per company is EUR 23.3 billion, as a median figure, each PIE financial institution took in EUR 2.8 billion.

In total, 121 financial institutions each posted total assets of more than EUR 10 billion. Together, these 121 largest French banks generated EUR 8.5 trillion and thus around 94 percent of the total assets of all French PIE financial institutions. The 10 largest financial institutions alone – led by the BPCE Group, La Banque Postale and Crédit Agricole – achieved combined total assets of EUR 5.1 trillion. There were 129 French PIE financial institutions which posted total assets of between EUR 1 billion and EUR 10 billion. With combined turnover of EUR 497 billion,

Financial institutions: UK has a highly diversified PIE banking sector (2020)



1) There was no data available for 25 German financial institutions

2) There was no data available for 27 French financial institutions

3) Only financial institutions for which figures were available were included in the calculation

Sources: F.A.Z. Business Media | research, Mazars

these banks together only account for 5 percent of the total assets generated by French PIE financial institutions. The weakest 139 banks with total assets below EUR 1 billion, together achieved total assets of around EUR 50 billion. Data was not available for 27 banks.

The PIE markets compared

A comparison of the PIE markets in Germany, the UK and France shows commonalities, but also significant differences. For example, at 1,659 companies, the UK has the comparatively highest number of PIEs, while the PIE market in France is also relatively large with 1,566 organisations identified. In Germany, there are significantly fewer companies at 980.

Numerous factors explain the breadth of the UK and French PIE market: The figure of 1,659 PIEs in the UK market stems predominantly from a high number of listed PIEs and from financial institutions/financial services providers. In the UK, more companies are traditionally capital market-oriented than in Germany, and there is a larger number of smaller listed companies than in the German market.

The high number of French PIEs can be attributed to the fact that the French definition of a PIE is more comprehensive than the narrower EU definition which has been applied in Germany and the UK. In France, not only companies which are listed on a regulated market, alongside insurance companies and financial institutions, are classified as PIEs, but also pension funds and their associations, as well as companies whose total assets exceed a certain threshold (see page 9).

Listed PIEs

Likewise, a comparison of the turnover and the numbers of listed PIEs in the three countries shows significant differences. Thus, the number of listed PIEs which are neither an insurance company nor a financial institution is largest in the UK at 911 companies. In France, there are 591 listed PIEs, in Germany this figure is 381. One reason for the high number of UK PIEs which are listed on a regulated market is that the number of PIEs with lower turnover is very high in the UK. A total of 508 UK companies generated more than EUR 100 million in turnover – in Germany, this figure is only 126.

Looking at the total turnover figures for the listed PIEs in the three countries, these sectors are approximately the same size. All three total turnover figures are in the region between EUR 1.6 trillion and EUR 1.8 trillion. In Germany, the average turnover of a listed PIE is relatively high – but this is also due to the fact that German small and medium-sized companies are largely not listed and because it is predominantly the big companies which use the stock market as a source of financing.

It is noticeable that the top companies in Germany are bigger than their counterparts in the UK and France. Thus, a company that counts among the 50 largest listed PIEs in Germany earns an average turnover of EUR 32 billion – a comparable company in France makes only EUR 28 billion and its counterpart in the UK EUR 26 billion. One reason for the size of the German PIEs is that industrial companies contribute a large share of the country's value added. The German PIE market is dominated by economically powerful sectors like automotive engineering,

electrical and electronic engineering, and mechanical engineering. Their turnover is driven to a large extent by global corporations like Volkswagen or Mercedes-Benz Group.

Insurance companies

When undertaking a comparison of the insurance sectors in the three countries, the French insurance market stands out – with 559 insurance companies, it is considerably more diverse in terms of number of companies than the German (341) or the UK (217) market. In relation to the total number of UK PIEs (1,659), the UK PIE insurance sector is actually relatively small. Looking at the total gross premium figures of the insurance companies, Germany and the UK are close together: The German PIE insurers posted combined gross premiums of EUR 397 billion, the French companies earned gross premiums of EUR 409 billion. The UK market is considerably smaller, the companies there earned a combined total of EUR 298 billion in gross premiums.

An analysis of the 50 largest insurance companies in each country shows that the insurance markets in Germany and France generate similar levels of gross premiums: The largest French insurance companies earn a combined EUR 337 billion, their German counterparts take in EUR 323 billion. The Top 50 among the UK companies only posted gross premiums totalling EUR 276 billion.

The size of the German and French insurance sectors can be explained by the fact that two of the world's largest insurance corporations are headquartered in France and Germany respectively. These are the AXA Group and the Allianz Group. However, in terms of the insurance companies' average gross premiums, there is no significant difference between the three countries that were analysed: The highest average gross premiums were earned by the UK insurance companies at EUR 1.4 billion, followed by the German insurance companies at EUR 1.2 billion and the French insurers with EUR 1.0 billion.

Financial institutions

In the financial institutions segment, the UK stands out as the largest market – there are 531 British, but only 416 French and 258 German PIE financial institutions. Accordingly, the combined assets of all UK PIE banks, financial services providers, and investment companies are also high: The UK sector posts combined assets of EUR 13.6 trillion and thus around twice as much as the German PIE bank sector (EUR 6.8 trillion). Combined total assets of EUR 9.1 trillion put the French sector in the middle ground between the UK and the German sectors.

An analysis of the 50 largest bank PIEs in the three countries is interesting: The 50 largest UK banks, which include the Barclays Group, the Bank of England and HSBC, achieve combined total assets of EUR 11.2 trillion. A comparison with the 50 largest PIE banks in Germany (EUR 6.3 trillion combined total assets) and France (EUR 7.3 trillion combined total assets) shows how big and cash-rich the UK banking sector is. One explanation for this is London's position as one of the major centres in global finance. Historically, the banking sector in the UK has contributed a large share of the country's value added.

In the UK, the number of smaller PIE financial institutions – total assets below EUR 1 billion – is also the highest at 365 companies. This too shows that the UK banking sector is more diverse than the comparable industries in Germany and France. Add to this the fact that investment trusts and other financial services providers were also defined as financial institutions for the purposes of this study, leading to an increase in the number of UK financial institutions.

However, although the UK PIE financial sector is numerically larger and more cash-rich than its counterparts in the two European comparison countries, the PIE financial institutions post very comparable total asset figures on average: A German PIE financial institution earns EUR 29.2 billion on average, a UK company EUR 21.9 billion and a French company EUR 23.3 billion.



Findings II

Joint audits ensure diversity in the PIE audit market

The Big 4 audit firms dominate the audit markets in Germany, the UK and France overall and thus also their PIE markets. Trailing far behind are the Next 10 audit firms, generating only a small fraction of total revenues. France is the only country with more discernible market diversity: The Next 10 carry much more weight there; France also has a significantly higher number of smaller PIE audit firms.

Worldwide, four audit firms command a dominant market share in the auditing of companies and institutions. This is visible in the PIE market in Europe too and applies equally to the countries surveyed in this study: Germany, the UK, and France. Regulators in the EU want to counteract the leading market position held by Deloitte, PwC, EY and KPMG in order to enhance market diversity and competition. They hope to improve the quality of auditing and boost confidence in the capital market as well as boosting investor protection. It is hoped that legal requirements including regular auditor rotation and restrictions on non audit services will contribute to this. In addition, the EU regards joint audits as an effective method of achieving more market diversity – however, up to now, Member States have been at liberty as to whether they introduce mandatory joint audits or shared audits.

Market diversity would be enhanced if other audit firms apart from the Big 4 could also obtain large audit engagements, particularly among the PIEs. Alongside them at the starting line as competitors are first and foremost the Next 10 audit firms. Because of their size, staffing, and expertise they stand the best chance of obtaining PIE audit engagements. However, audit firms which are smaller than the Next 10 could also obtain or retain PIE clients. Because of the well-established customer relationships, this actually occurs relatively frequently in France. In fact, in general, France is an example of how the prospects for the Next 10 and further audit firms to gain a PIE audit engagement increase enormously when joint audits are mandatory.

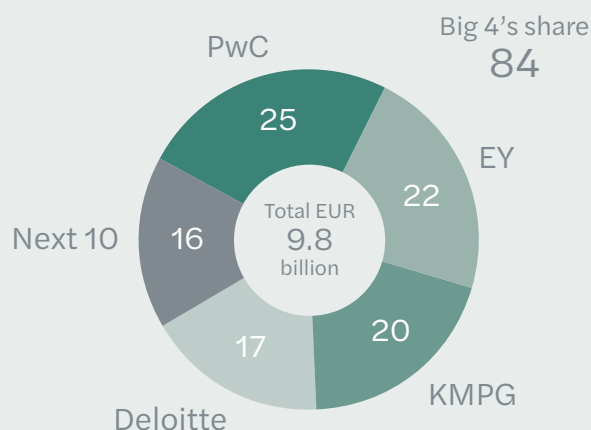
In the following chapter, we analyse the market situation in the three countries. We will start with a comparison of the combined revenues of the 14 largest audit firms in Germany, France, and the UK – across all companies (including non-PIEs) and sectors, and encompassing non audit services. We will then conduct a decisive analysis of the PIE business – by number of engagements and by PIE turnover.

Top 14 audit firms in Germany

In Germany, the Big 4 generate combined revenues – including consultancy services – of EUR 8.2 billion (as of 2020). Thus, they command an 84 percent share of the EUR 9.8 billion combined revenues of the top 14 audit firms (see graph below). PwC is the highest grossing audit firm at EUR 2.4 billion, followed by EY with EUR 2.2 billion and KPMG with EUR 1.9 billion. Deloitte is the smallest Big 4 audit firm in Germany with EUR 1.7 billion; nonetheless, Deloitte alone generates more than the combined Next 10 firms: These generate a total of EUR 1.6 billion. The largest Next 10 auditors in Germany are BDO and Ebner Stolz (see table page 19).

Germany: Big 4 hold more than 80 percent of market share

Shares of 2020 revenues in percent¹⁾



1) The shares refer to the total revenues of the top 14 audit firms.

Source: Lünendonk

Next 10 Germany: Strong lead pack

Audit firm	2020 revenues in EUR mil.	Share in percent ²⁾
BDO	285 ¹⁾	2.9
Ebner Stolz	279	2.9
Rödl & Partner	269	2.8
Mazars	182	1.9
Baker Tilly	165	1.7
Warth & Klein Grant Thornton	147	1.5
RSM	90	0.9
ETL	60	0.6
PKF Fasselt	60	0.6
Dornbach	58	0.6
Total revenues Next 10	1,595	16.4

1) The BDO AG revenue figure refers to the 2019/2020 period.

2) Share of the top 14's total revenues (EUR 9.8 billion) in percent.

Source: Lünendonk

Germany: Number of PIE engagements of the top 14 audit firms

Audit firm	Number of PIE engagements in 2020
PwC	250
KMPG	223
EY	164
Deloitte	61
Mazars	41
BDO	38
Ebner Stolz	37
Baker Tilly	33
RSM	12
Warth & Klein Grant Thornton	11
Rödl & Partner	8
ETL	1
PKF Fasselt	1
Dornbach	1

Sources: F.A.Z. Business Media | research, Mazars

PIE audits in Germany

Similar distribution can be seen in the PIE audit engagements (as of 2020): Together, the top 14 audit firms audit 881 of the 980 German PIE companies (see table above on the right). Thus, 698 companies, or around 71 percent of German PIEs are audited by the four dominating audit firms. The Next 10 together comprise 183 audit engagements and thus audit around 19 percent of German PIEs.

Aside from the number of audit engagements, a significantly more informative key figure can be used to analyse the competition: the economic strength of each auditor's PIE clients (as of 2020). Thus, we also calculated the level of turnover or total assets, as applicable, of all PIE clients – listed companies, insurers, and financial institutions – for this study.

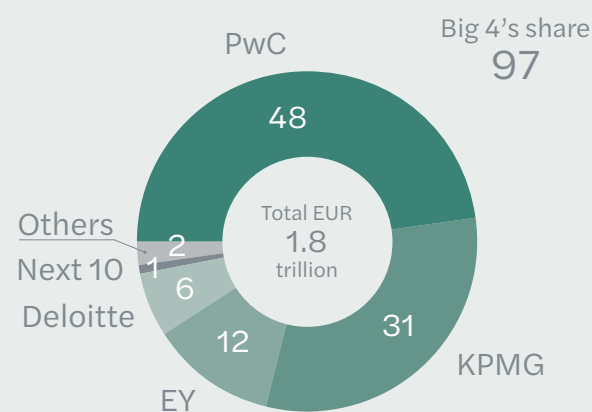
Listed PIEs

Together, the 381 German PIEs listed on a regulated market generate EUR 1.8 trillion. Of these 381 companies, 240 are audited by the Big 4. The Big 4's clients alone take in EUR 1.76 trillion combined (see graph on the right). For comparison: Together, the PIEs which receive their audit opinion from the Next 10 firms only generate EUR 15 billion and thus just 1 percent of the turnover of all listed PIEs. In fact, the combined turnover of the companies which are certified by the other – neither the Big 4 nor Next 10 – audit firms is higher than the combined turnover of the Next 10 clients: Their clients generate total turnover of EUR 39 billion.

If one takes a closer look at the listed companies in Germany with the greatest financial strength which are listed on the DAX 40 as of now, the oligopoly of the Big 4 becomes particularly clear: All 37 DAX companies which are headquartered in Germany and are therefore German PIEs are audited by KPMG, PwC, EY or Deloitte.

Germany: Next 10 fighting a losing battle in listed PIE market

Audit firms' market share in percent¹⁾



1) The market shares refer to the turnover of listed PIEs in Germany in 2020.

Sources: F.A.Z. Business Media | research, Mazars

In the last financial year of each company, KPMG accounted for the largest number of audit engagements, garnering 19 audit engagements, followed by PwC and EY with eight audit engagements each, with Deloitte bringing up the rear with two audit engagements.

When the Financial Market Integrity Reinforcement Act (FISG; see page 9) was enacted, legislators wasted the opportunity to dismantle the Big 4's dominant market position. The law now strictly forbids dual commissions for auditing and consulting from the same PIE and curtails the maximum audit contract duration with one firm from 20 years to 10 years; afterwards, a rotation of auditors must occur. However, these rules are more likely to further boost the position of the Big 4, since past experience shows that rotations generally take place within this group of four. Moreover, experience also shows that companies are more likely to switch from a smaller audit firm to a Big 4 auditor in a rotation process rather than the reverse. In addition, large audit firms holding lucrative PIE consultancy contracts have the opportunity to cross-subsidise audit engagements from other PIEs.

Nonetheless, medium-sized audit firm BDO recently won the audit engagement for DAX corporation SAP. In 2022, BDO has replaced KPMG as auditor for the enterprise software company. In addition, further Next 10 audit firms, like for example Warth & Klein Grant Thornton, have already entered the competition to win an engagement to audit a DAX corporation.

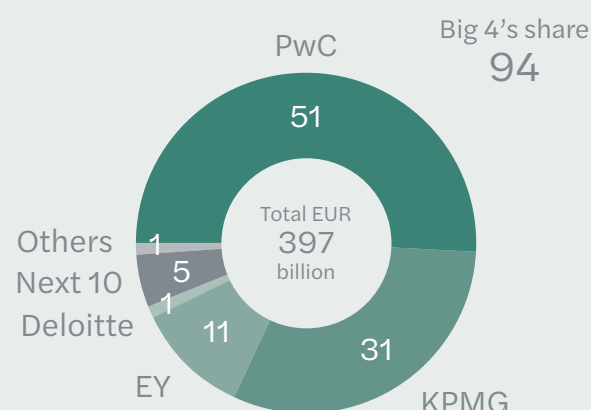
Insurance companies

Similarly, the Big 4 have the upper hand in auditing German PIE insurers too: Together, these insurance companies posted gross premiums of EUR 397 billion; EUR 373 billion alone were generated just by the 263 companies which are audited by the Big 4. Commanding a noticeably dominant position are audit firms PwC and KPMG: The insurers PwC alone audits earn gross premiums of around EUR 201 billion and thus account for half the combined gross premiums of all German PIE insurers, while the insurers which are audited by KPMG also contribute a significant share with gross premiums of EUR 122 billion.

In contrast, the insurers which are audited by the Next 10 generate only EUR 21 billion in gross premiums. Thus, the share of combined income commanded by the Next 10 audit firms is a little higher for the insurance companies than for the listed companies or for the financial institutions (5 percent compared with 1 percent and 2 percent respectively). The clients of the remaining audit firms which are not among the top 14 post only 1 percent of total gross premiums (see graph above).

Germany: PwC dominates the audit market for insurers

Audit firms' market share in percent¹⁾



1) The market shares refer to the gross premiums of the PIE insurance companies in Germany in 2020.

Sources: F.A.Z. Business Media | research, Mazars

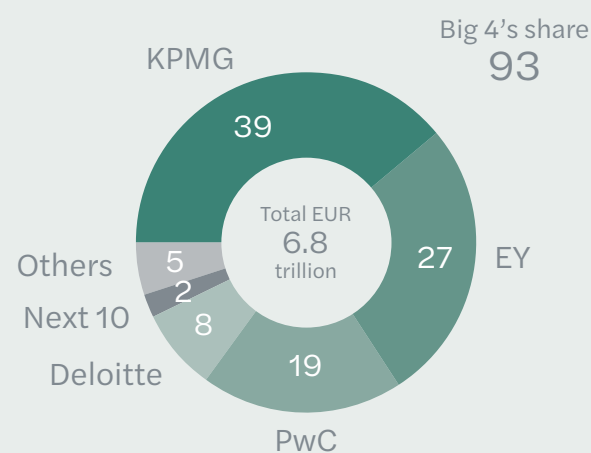
Financial institutions

An analysis of the German PIE financial institutions reveals a similarly unambiguous dominance of the Big 4 as for the listed companies: Together, the 258 financial institutions in Germany post total assets of EUR 6.8 trillion. Of this sum, EUR 6.3 trillion is generated by the banks which are audited by the Big 4. The largest 10 PIE financial institutions – led by Deutsche Bank, DZ Bank and Commerzbank – are all audited by the Big 4 without exception.

In contrast, the combined total assets of all bank clients of the Next 10 audit firms amounts to a mere

Germany: Big 4 dominate the audit market for financial institutions

Audit firms' market share in percent¹⁾



1) The market shares refer to the total assets of the PIE financial institutions in Germany in 2020.

Sources: F.A.Z. Business Media | research, Mazars

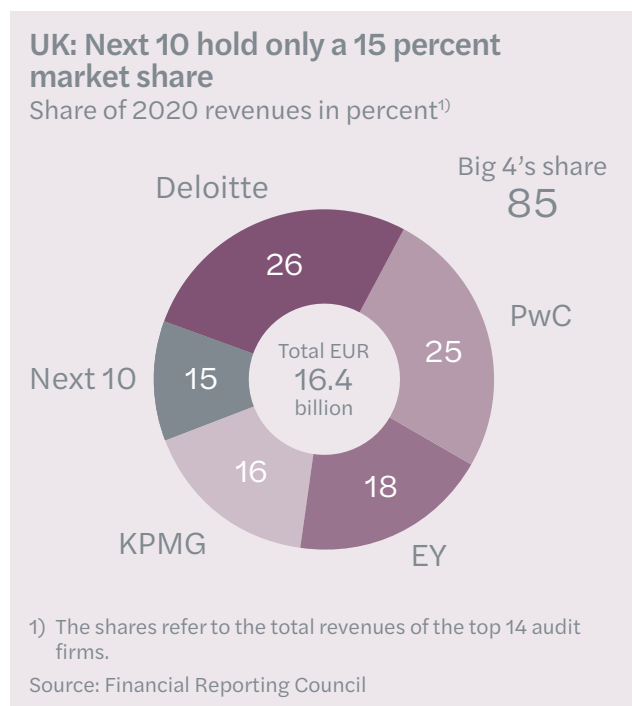
EUR 147 billion. The remaining EUR 334 billion is accounted for by those companies which are audited by the smaller audit firms which are not among the top 14. Thus, the Next 10 audit firms play only a minor role in the auditing of the largest German financial institutions (see graph page 20 bottom right).

In summary, when it comes to the German PIE market overall, we can speak of an oligopoly of the Big 4. An analysis of the key financial figures of the respective audit firms' clients – broken down into listed companies, financial institutions, and insurers – shows that the Big 4 enjoy a dominant market position in all three sectors. In each of the three sectors, the companies which are audited by the Big 4 generate between 93 percent and 97 percent of the combined turnover or total assets respectively – while the Next 10 clients generate only between 1 percent and 5 percent of the combined figure.

Top 14 audit firms in the UK

In the UK, the audit firms that follow the Big 4 and BDO in the ranking according to size of revenue – unlike in Germany – are Grant Thornton and RSM. Converted to euro, the revenue of the three chasers is between around EUR 400 million and around EUR 800 million (as of 2020). Further major players in the UK market are – like in Germany – Mazars as well as the Haines Watts Group.

Looking at the revenue figures of the UK top 14 audit firms, as determined by the Financial Reporting Council (FRC), a similar structure to that in Germany is discernible: The Big 4 share the largest portion of the pie between them, while the Next 10 command significantly smaller market shares (see graph below).



Together, the UK subsidiaries of Deloitte (EUR 4.3 billion), PwC (EUR 4.0 billion), Ernst & Young (EUR 3.0 billion) and KPMG (EUR 2.7 billion) generate around EUR 14 billion in revenue. In contrast, the Next 10 audit firms together only post around EUR 2.4 billion (see table below).

Next 10 UK: Strong chasing pack behind the Big 4

Audit firm	2020 revenues in EUR mil.	Share in percent ¹⁾
BDO	766	4.7
Grant Thornton	575	3.5
RSM	413	2.5
Mazars	236	1.4
Haines Watts Group	123	0.7
Crowe	109	0.7
MHA Macintyre Hudson	79	0.5
Johnston Carmichael	60	0.4
Haysmacintyre	44	0.3
PKF Littlejohn	40	0.2
Total revenues Next 10	2,445	14.9

1) Share of the top 14's total revenues (EUR 16.4 billion) in percent.

Source: Financial Reporting Council

UK: Number of PIE engagements of the top 14 audit firms

Audit firm	Number of PIE engagements in 2020
PwC	423
KMPG	353
Deloitte	273
EY	260
BDO	171
Mazars	30
Grant Thornton	29
PKF Littlejohn	25
RSM	23
Crowe	15
Haysmacintyre	8
Johnston Carmichael	5
MHA Macintyre Hudson	3
Haines Watts	1

Sources: F.A.Z. Business Media | research, Mazars

PIE audits in the UK

The picture is similar for PIE audit engagements (as of 2020): Together, the Big 4 account for 1,309 audit engagements and thus around four times as many as the Next 10, which together have 310 PIE clients (see table page 21). What is noticeable is that there are broad disparities within the Next 10 regarding the number of audit engagements. While BDO audits 171 companies, the Haines Watts Group – with revenue in the three-digit millions – audits only one PIE client. Thus, BDO is closer to the Big 4 than to the remaining Next 10 companies.

Listed PIEs

Together, the 911 listed PIEs in the UK generate EUR 1.73 trillion when converted into euro (conversion rate for pound sterling to euro: 1.165). Of this sum, EUR 1.70 trillion is generated by the 707 PIEs which are audited by the UK Big 4. That corresponds to almost 99 percent of the combined turnover of all UK PIEs which are listed on the stock market. The market shares of the Big 4 audit firms are similar, with their clients generating combined turnover of between EUR 387 billion (EY) and EUR 476 billion (Deloitte).

On their own, the 10 highest grossing PIEs, which include oil corporations Royal Dutch Shell and BP, together generate EUR 712 billion. The vast majority of these 10 companies are audited by the Big 4, but one Next 10 firm is also represented in the form of Mazars, which acts as auditor for Tesco.

Together, the companies which are audited by the Next 10 audit firms only generate turnover of around EUR 20 billion. This means that the listed Next 10 clients generate around 1 percent of the combined

turnover of all UK listed PIEs (see graph below on the left). The market share of the auditors which are not among the top 14 firms is almost negligible: The companies which are certified by these audit firms together only generate turnover of EUR 4 billion, which comes to just 0.2 percent of combined turnover.

A glance at the FTSE 100 companies, the 100 UK companies with the highest turnover, also shows an oligopoly of the Big 4. All 88 FTSE 100 companies which are headquartered in the UK and are therefore UK PIEs are audited by the Big 4 alone, whereby the audit engagements are distributed relatively evenly across all four firms: with 26 audit engagements PwC has the largest market share, followed by EY and KPMG with 21 audit engagements each and Deloitte with 20 audit engagements.

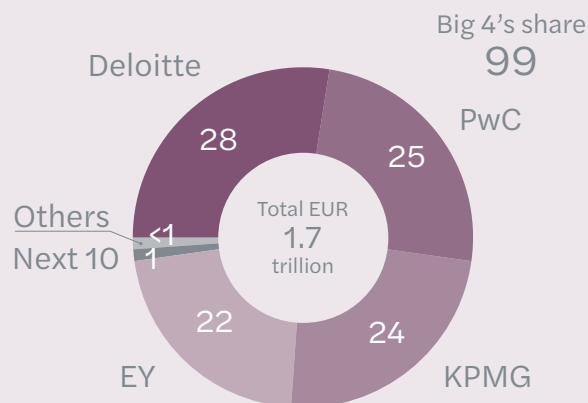
Insurance companies

An analysis of the audit firms of UK PIE insurers and the insurers' economic strength paints a similar picture of an oligopoly. In the UK, there are 217 insurance companies which together earn EUR 298 billion in gross premiums. The 10 largest UK PIE insurers – each with income of at least EUR 7 billion per year – are audited exclusively by the Big 4 audit firms. PwC has seven audit engagements on its books, with KPMG and Deloitte behind it. EY has no audit clients among the top 10 insurers. Similarly, the extended group of 44 insurers with minimum gross premiums of EUR 1 billion receive their audit opinion almost exclusively from the Big 4. Only Mazars holds two audit engagements among this group.

Together, the 176 insurers which are audited by the Big 4 post gross premiums of EUR 291 billion, which corresponds to a market share of 98 percent (see

UK: Big 4 share listed PIEs almost equally among themselves

Audit firms' market share in percent¹⁾

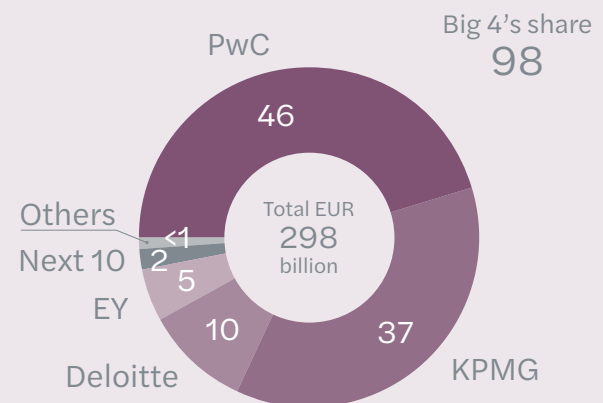


1) The market shares refer to the turnover of listed PIEs in the UK in 2020.

Sources: F.A.Z. Business Media | research, Mazars

UK: PwC and KPMG dominate the audit market for insurers

Audit firms' market share in percent¹⁾



1) The market shares refer to the gross premiums of the PIE insurance companies in the UK in 2020.

Sources: F.A.Z. Business Media | research, Mazars

graph page 22 bottom right). PwC and KPMG particularly stand out: The insurance companies which are audited by PwC represent EUR 137 billion in gross premiums, the KPMG clients EUR 109 billion. Thus clients who are audited by only two of the Big 4 audit firms account for the lion's share of insurers' combined gross premiums at 83 percent.

Those insurers which are audited by the Next 10 audit firms together generate gross premiums of only some EUR 7 billion, thus the Next 10 clients only contribute a 2.4 percent share of combined gross premiums. The PIE clients of the remaining audit firms which are not among the top 14 audit firms together generate just 0.04 percent of the combined PIE insurers' gross premiums.

Financial institutions

A similarly dominant position is evident for the Big 4 in the auditing of UK financial institutions. The 10 largest PIE financial institutions are audited by KPMG, PwC and EY. Indeed, among the top 20 UK financial institutions, there is no company which does not receive its audit opinion from one of the three aforementioned audit firms.

Of the 531 PIE financial institutions, 426 companies are audited by the Big 4. Together, these generate total assets of EUR 13.5 trillion, which corresponds to a market share of 99.7 percent (see graph below on the left). The clients served by KPMG and PwC alone each generate combined total assets of EUR 5.4 trillion and EUR 5.3 trillion respectively – meaning that the financial institutions which are certified by only two audit firms together hold a market share of 79 percent.

In contrast, the market share of those companies which are audited by the Next 10 auditors appears

very low: Together, these companies generate total assets of EUR 36 billion, which corresponds to a market share of just 0.3 percent. The other audit firms have a significantly smaller market share again: Together, the 23 financial institutions they audit post total assets of some EUR 700 million – this corresponds to a market share of just 0.01 percent.

Top 14 audit firms in France

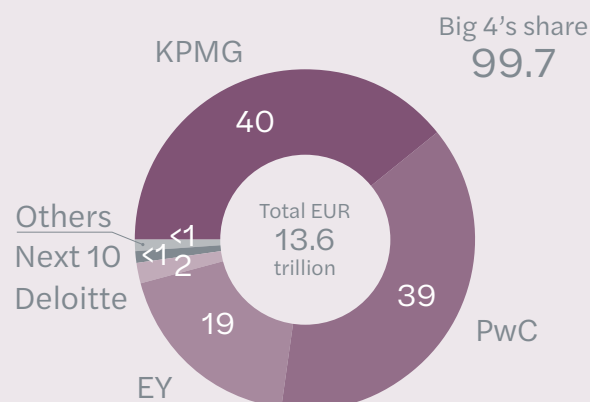
In France, the four highest grossing audit firms are – in this sequence – KPMG, EY, PwC and Deloitte (as of 2020). The following Next 10 comprise Mazars, HLB, Grant Thornton International, Kreston International, BDO, Baker Tilly International (Bakertilly Strego), RSM, Crowe, TGS France and Nexia International (see graph below and table on page 24 top left). In comparison to Germany and the UK, the strong position of one Next 10 audit firm in France stands out – Mazars (EUR 398 million revenue), which has its roots in France. Additionally, international auditor networks in France like HLB, Kreston International and Nexia International are relatively influential, alongside TGS, which also has its roots in France. They all benefit from the PIE joint audits which are mandatory according to French law.

While the Big 4 in France together generate annual revenues (all clients, all services) of between around EUR 1.0 billion and EUR 1.2 billion, the Next 10 lie in a range between EUR 103 million and EUR 398 million.

Together, the Big 4 earn combined revenues of EUR 4.3 billion: KPMG and EY each posting around EUR 1.2 billion, while PwC and Deloitte each generate around EUR 1 billion. In contrast, the Next 10 generate only EUR 1.7 billion combined. This gives the Big 4 a market share of 72 percent and the Next 10 a 28 percent share in the revenues of the top 14.

UK: Big 4 audit more than 99 percent of financial institutions

Audit firms' market share in percent¹⁾

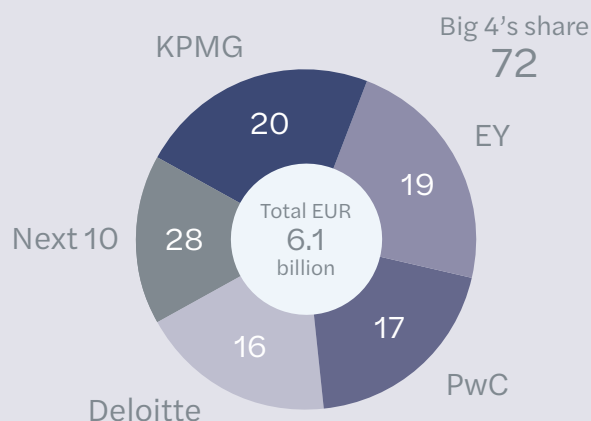


1) The market shares refer to the total assets of the PIE financial institutions in the UK in 2020.

Sources: F.A.Z. Business Media | research, Mazars

France: More competition in the market

Shares of 2019/2020 revenues in percent¹⁾



1) The shares refer to the total revenues of the top 14 audit firms.

Sources: International Accounting Bulletin, La Profession Comptable, F.A.Z. Business Media | research, Mazars

Next 10 France: Medium-sized auditors are important

Audit firm	2020 revenues in EUR mil.	Share in percent ²⁾
Mazars	398	6.6
HLB	235	3.9
Grant Thornton International	201 ¹⁾	3.3
Kreston International	181	3.0
BDO	139 ¹⁾	2.3
Baker Tilly International (Bakertilly Strego)	136	2.2
RSM	115 ¹⁾	1.9
Crowe	110 ¹⁾	1.8
TGS France	106 ¹⁾	1.7
Nexia International	103 ¹⁾	1.7
Total revenues Next 10	1,724	284
1) The revenue figures refer to the 2019/2020 period.		
2) Share of the top 14's total revenues (EUR 6.1 billion) in percent		
Sources: International Accounting Bulletin, La Profession Comptable, F.A.Z. Business Media research, Mazars		

In comparison to Germany (Next 10: 16 percent) and the UK (Next 10: 15 percent) the Next 10 in France thus enjoy significantly stronger positioning. Each individual Next 10 audit firm in France generates revenue in the three-digit millions. In this aspect too, the market reflects more competition and greater diversity.

PIE audits in France

In France, there are a total of 1,566 PIEs (as of 2020). Because of the current obligation in France for at least two audit firms to be commissioned to conduct an audit (joint audit), the number of audit engagements is significantly higher than 1,566. In theory, at least twice as many audit engagements are commissioned as there are PIEs, thus approximately 3,132.

On account of the difficulties gathering data and the lack of market transparency in France, we were unable to ascertain all audit engagements. However, our research identified the audit engagements of the top 14 audit firms, which share a combined 1,825 of the potential 3,132 PIE audit engagements. Of these 1,825 audit engagements, 1,144 fall to the Big 4 and 681 to the Next 10. The remaining audit engagements are held by smaller audit firms in a joint audit structure.

It can be assumed that the vast majority of the 1,566 French PIEs are audited by at least one of the top 14 audit firms (see table below). Many PIEs are audited by two firms from among the top 14. Smaller audit firms participate in the remaining joint audits. Thus, there is a relatively high level of market diversity among audit firms in France. Further audit firms with PIE audit engagements, whose transparency

France: Number of PIE engagements of the top 14 audit firms

Audit firm	Number of PIE engagements in 2020
Mazars	385
PwC	344
KPMG	290
EY	278
Deloitte	232
Grant Thornton International	112
Crowe	51
RSM	39
Nexia International	36
Kreston International	31
BDO	18
Baker Tilly International (Bakertilly Strego)	9
HLB	—
TGS France	— ¹⁾
1) TGS France provided neither a transparency report nor the names of its PIE clients.	
Sources: F.A.Z. Business Media research, Mazars	

reports were available, include for example COGEP, Compagnie Fiduciaire, Eurex, Exponens, FCN, Implid, ORCOM, SR Conseil and STECO-HSF.

The audit firms' market shares in France cannot be calculated in the same way as in Germany or the UK since, as already mentioned, joint audits are conducted in France. By analysing the possible auditor combinations, we can make statements about the diversity of the French audit market.

In France, twelve cases were identified where three audit firms collaborated, although a higher number of three-firm audits cannot be ruled out. For ease of comparison, the three-firm audits were treated as two-firm audits. To calculate the market shares of individual audit firms in France, the various PIE key figures, for example PIE turnover, were accordingly divided between the firms equally in each case.

This is a company example to illustrate this procedure: Listed PIE Air Liquide is audited by PwC and EY. the turnover generated by Air Liquide (EUR 20.5 billion) was allocated at a ratio of 50:50 to PwC and EY to calculate the market shares. The basis used for calculating in percentages the audit firms' market shares in the auditing of a total of 591 listed companies is the combined turnover ascertained for the listed PIEs: EUR 1.6 trillion.

Listed PIEs

Among the joint audits of listed French companies, the Big 4 hold a prominent position. Out of a combined turnover of EUR 1.6 trillion for listed PIEs, the Big 4 participate in joint audits for an equivalent of 96 percent of this turnover. Overall, they share the

audits for 493 of the total of 591 listed companies in France (see graph below on the left).

There are hardly any joint audits of significant size without any participation of the Big 4 on the Paris Stock Exchange either. Of the PIEs' combined turnover, 58 percent is audited by a Big 4 + Big 4 joint audit. Nevertheless, companies which receive their audit opinion from a combination of Big 4 + Next 10 comprise almost one-third of the combined turnover. Overall, the Next 10 audit firms actually participate in joint audits for companies which represent 31 percent of the combined turnover of the listed PIEs.

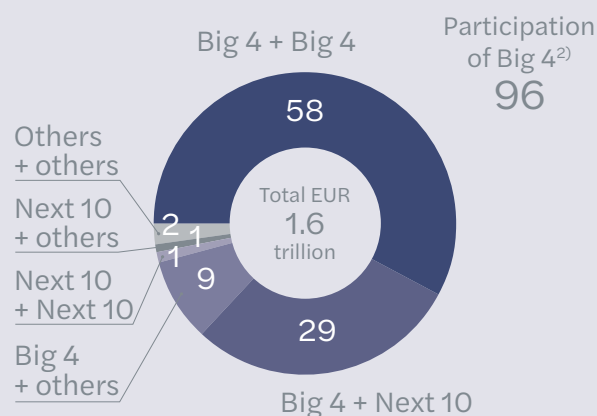
According to the method illustrated above, distributed across the individual audit firms, EY, KPMG, Deloitte, and PwC together account for a market share of 76 percent of the combined turnover of the listed PIEs. The biggest Big 4 auditor by market share is EY at 26 percent (see graph below on the right).

The Next 10 firms audit PIEs which generate 16 percent of the combined turnover of the listed French PIEs. Other audit firms nonetheless still achieve a market share of 7 percent. This comparatively high figure can only be explained by the mandatory joint audits in France. Even relatively small audit firms participate in the audits of large companies and corporations.

An analysis of the CAC 40 companies is also interesting. The CAC 40 is the most important stock index in France and comprises the 40 highest-grossing companies in the country. Of the 40 companies in the index, 35 are French PIEs. Out of these 35 companies, 33 are audited in joint audits, in which either two Big 4 companies or alternatively one Big 4

France: Next 10 participate in almost a third of joint audits of listed PIEs

Audit firm pairs' market share in percent¹⁾



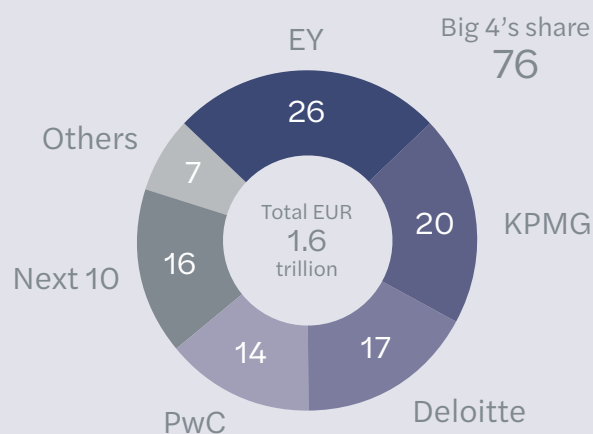
1) The market shares refer to the turnover of listed PIEs in France in 2020.

2) Joint audit with at least one Big 4 audit firm.

Sources: F.A.Z. Business Media | research, Mazars

France: Next 10 well represented in audits of listed companies

Audit firms' market share in percent¹⁾



1) The market shares refer to the turnover of listed PIEs in France in 2020. Assuming that each company was audited by two auditors, the turnover was split between the two audit firms.

Sources: F.A.Z. Business Media | research, Mazars

company and Mazars participate. Apart from these, Grant Thornton is another Next 10 audit firm which participates in the audit of two of the CAC 40 companies. With 18 audit engagements, EY has the highest frequency of audit participation among the CAC 40 PIEs, followed by PwC and Deloitte with 15 audit engagements each.

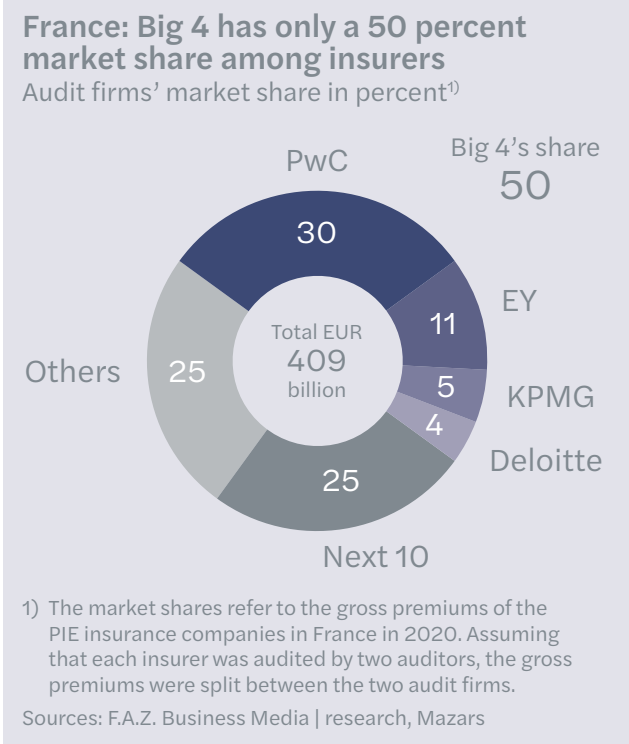
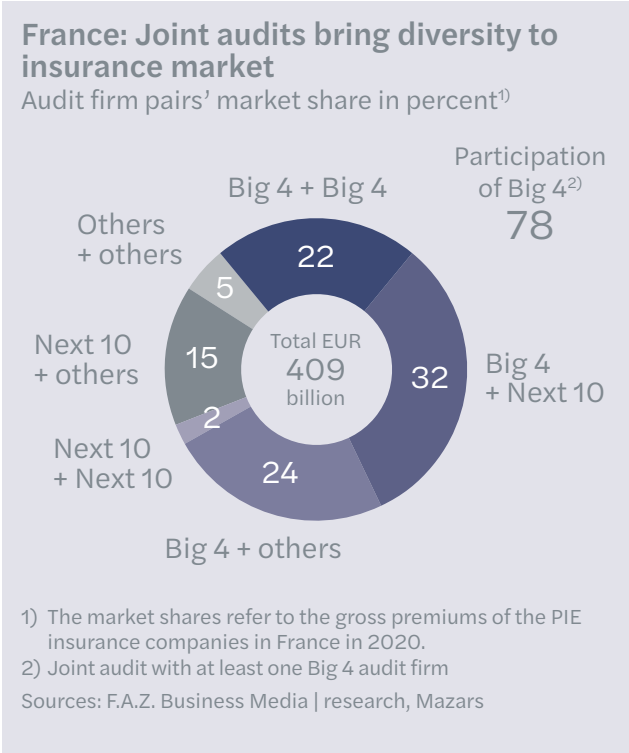
Insurance companies

In France, the greatest auditor diversity is evident among the insurer client segment. With gross premiums of all PIE insurance companies combined totalling EUR 409 billion, companies which are audited exclusively by Big 4 audit firms (Big 4 + Big 4) account for only 22 percent of this figure (see graph below).

Insurers in whose audit at least one Big 4 auditor participates account for 78 percent of the combined gross premiums (Big 4 + x). The participation of the Next 10 firms in the French insurance sector is particularly noticeable. At least one Next 10 audit firm participates in the auditing of 49 percent of combined gross premiums (Next 10 + x).

Of the Big 4 audit firms, only KPMG is not represented among the auditors of the top 10 insurance companies. PwC accounts for the highest number of audit engagements, and Next 10 audit firms Mazars and Grant Thornton are also in the rankings. Furthermore, there is even one audit firm represented which does not count among the Next 10: French audit firm FCN, which together with Grant Thornton audits the third-largest insurance company in France, UNEDIC.

The 559 French PIE insurers together generate gross premiums of EUR 409 billion. Using the aforemen-



tioned calculation method, the Big 4 firms together only hold a market share of 50 percent (see graph above). The 260 insurers which receive their audit opinion from the Big 4 auditors generate combined gross premiums of EUR 206 billion, with PwC accounting for 30 percent of all gross premiums. Thus, French insurers are the segment in which the Big 4 hold the smallest market shares across all countries surveyed.

Accordingly, the market shares of the Next 10 audit firms among French PIE insurance companies are large: These firms audit companies which achieve combined gross premiums of EUR 102 billion and thus account for a market share of 25 percent. The remaining 25 percent are audited (jointly) by smaller audit firms.

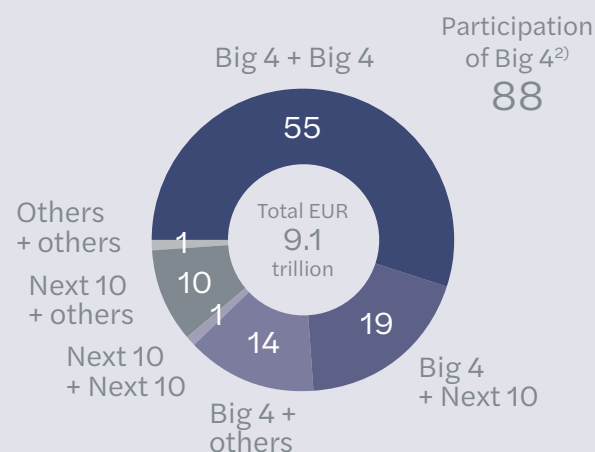
Financial institutions

In addition, the Big 4 in France audit financial institutions which account for 88 percent of the combined total assets of all PIE financial institutions, or EUR 9.1 trillion. In nine of the ten joint audits of the top 10 financial institutions, at least one Big 4 auditor participates. PwC has the highest representation, holding no audit engagement from Banque BIA alone. One distinctive feature of the French market is that Next 10 audit firms also have audit engagements from financial institutions, with Mazars, BDO and Bakertilly Strego participating. The audit opinion for Banque BIA is an exception, as it is shared by Bakertilly Strego and Artex Audit Associates. Artex is an audit firm which does not belong to either the Big 4 or to the Next 10 in France.

Uniquely Big 4 audits (Big 4 + Big 4) account for 55 percent of the combined total assets of French

France: Next 10 are also players in the audit market for financial institutions

Audit firm pairs' market share in percent¹⁾



1) The market shares refer to the total assets of French PIE financial institutions in 2020.

2) Joint audit with at least one Big 4 audit firm.

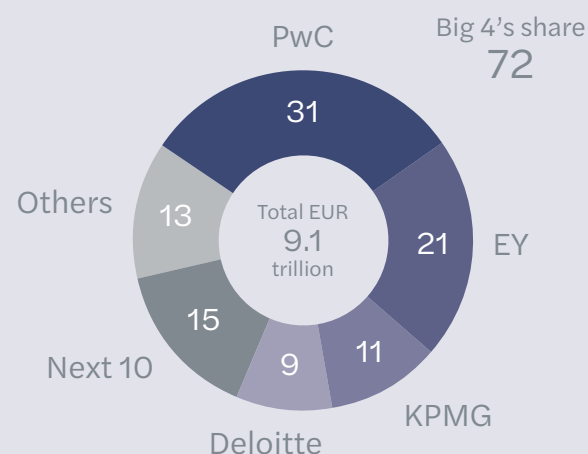
Sources: F.A.Z. Business Media | research, Mazars

PIE banks (see graph above). PIE banks, which are audited by at least one Next 10 audit firm (Next 10 + x), account for 30 percent of the combined total assets. However, uniquely Next 10 audits (Next 10 + Next 10) among financial institutions account for only 1 percent of market share.

Using the above-mentioned calculation method, of the combined total assets of the 416 French PIE financial institutions, a market share of 72 percent is held by the Big 4 (see graph below). These firms

France: Joint audit ensures diversity among auditors of financial institutions

Audit firms' market share in percent¹⁾



1) The market shares refer to the total assets of French PIE financial institutions in 2020. Assuming that each financial institution was audited by two auditors, the total assets were split between the two audit firms.

Sources: F.A.Z. Business Media | research, Mazars

audit 391 companies with combined total assets of EUR 6.5 trillion. PwC holds the largest market share among the Big 4 at 31 percent.

In this segment, too, the Next 10 enjoy a prominent position: They audit banks with combined total assets of EUR 1.4 trillion, which corresponds to a market share of 15 percent. Furthermore, the other audit firms which do not belong to the top 14 are also visible in the banks' audits: Together they command a market share of 13 percent.

Country comparison: Top 14 audit firms

In a comparison of the three countries, the unique position occupied by France is very evident. Based on the revenues of the 14 largest audit firms in the respective countries across all sectors and services, the Big 4 in Germany and the UK together command a share of around 85 percent in each country, but in France a share of "only" 72 percent (as of 2020). Accordingly, the Next 10 are considerably better represented in France, with a share of 28 percent, than in the comparison countries.

Only the rank orders of the Big 4 differ from country to country: In Germany, PwC holds the strongest position, with a revenue share of 25 percent, followed by EY with 22 percent. In the UK, Deloitte and PwC head the ranking table with 26 percent and 25 percent respectively, while in France the top positions are held by KPMG and EY with 20 percent and 19 percent respectively.

Country comparison: PIE audit

This distribution of market shares is also evident among the PIE audits. Surprisingly, however, a Next 10 audit firm leads the field in terms of numbers of audited PIEs in France (as of 2020): In total, Mazars audits 385 French PIEs and thus more than any other audit firm. Next in the rankings are the Big 4. In Germany and the UK, the Big 4 audit the largest number of PIEs, whereby in Germany Mazars and in the UK BDO follow in fifth place.

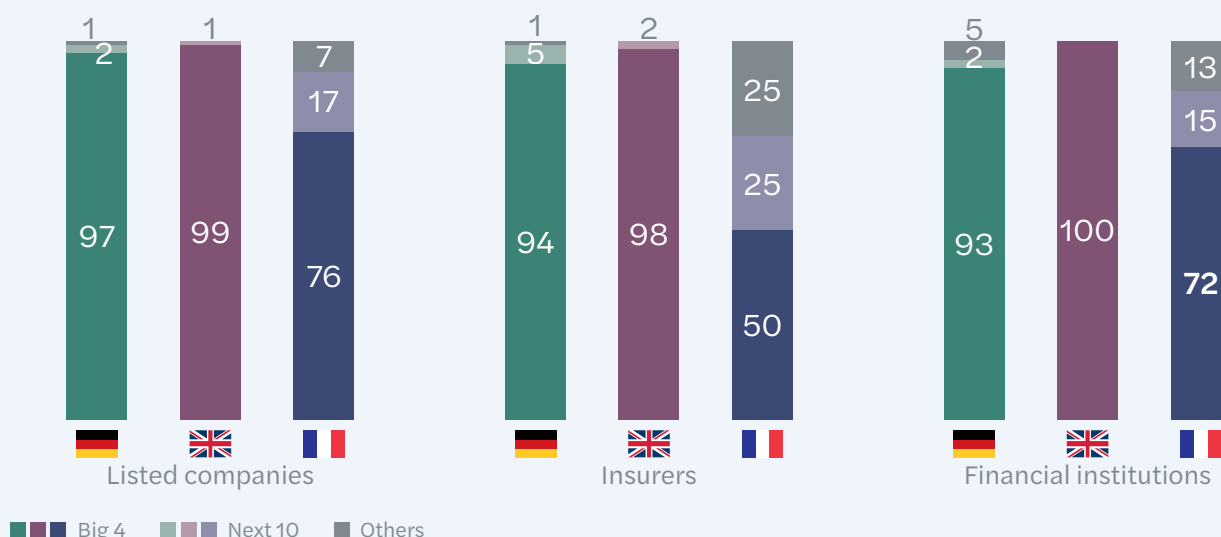
Listed PIEs

In the PIE segment of listed or alternatively capital market-oriented companies, the dominance of the Big 4 can be seen most clearly (see graph page 28): In Germany, they audit PIEs which represent 97 percent of the combined PIE turnover; in the UK it is 99 percent. In each of these two countries, the Next 10 account for only 1 percent. Other audit firms in this PIE segment only play a significant role in Germany (2 percent).

France is visibly much more diverse: In France, the Big 4 audit capital market-oriented PIEs which represent 76 percent of PIE turnover. The Next 10 at least cover 17 percent and other audit firms nonetheless manage around 7 percent.

Country comparison: Mandatory joint audits promote competition among auditors

Market shares of auditor categories by country and segment in percent¹⁾



1) The market shares refer to the respective key financial figures of all PIEs per country and segment in 2020.

Sources: F.A.Z. Business Media | research, Mazars

Insurance companies

The French diversity is most clearly evident in the insurance sector: The Big 4 only audit PIEs with a 50 percent share of combined gross premium contributions, while Next 10 and the other audit firms each account for 25 percent of gross premiums.

In the insurance sector, the UK subsidiaries of the Big 4 are also comparatively the most dominant, with a share of almost 98 percent, in contrast to 94 percent in Germany. Accordingly, the Next 10 audit firms in the UK only command 2 percent of the market, other auditors less than 0.1 percent. In Germany, the Next 10 at least reach 5 percent, the remainder 1 percent.

Financial institutions

Among financial institutions in the UK, the Big 4 are particularly dominant, with a share of almost 100 percent of the combined total assets of all PIE banks. Other auditors only get a negligible slice of the pie in that segment. In Germany, the share is a little smaller at 93 percent, but it is nonetheless considerable. In contrast, the Next 10 and other audit firms command the remaining 2 percent and 5 percent respectively. Here too, France is visibly more variegated with its joint audits: Only 72 percent of financial institution audits fall to the Big 4, followed by the Next 10 with 15 percent and other auditors with 13 percent of the combined total assets of all financial institutions.

Overall, the UK is the most heavily subjugated by the oligopoly of the Big 4, followed at a short distance by Germany. France with its joint audit regime is visibly more open to competition in all three market segments.

Methodology

Acquiring the market data

The data for public interest entities (PIEs) in Germany, the UK and France were compiled for the first time for the study. PIEs were identified, their latest financial figures were ascertained, and the distribution of audit engagements across the audit firms was analysed. The methodology was adapted to suit each specific country to provide a realistic picture of the respective markets.

Identifying the PIEs

The first step involved compiling the names of the German, French, and UK PIEs with the objective of generating the most comprehensive list possible of all PIEs in the various countries at the turn of the year 2020. Since such lists either do not exist or alternatively are not publicly accessible at either national or European level, the names of the PIEs were compiled manually from various information sources. Because of the divergence in national definitions of a PIE and varying degrees of data availability, the procedures used for Germany, the UK, and France differ.

PIEs in Germany

Two methods were selected to determine the German “companies of public interest”:

- The PIEs were extracted from each of the latest transparency reports of those audit firms which have at least one PIE audit engagement.
- The PIEs were identified from publicly accessible sources based on their legal definition: capital market-oriented companies via the regulated markets of German stock exchanges, and financial institutions and insurance companies via the Federal Financial Supervisory Authority (BaFin).

This led to the generation of two different PIE lists for Germany, which were reviewed and compared for commonalities and divergences in a second step.

The basis for research method 1 were the 65 audit firms which had audited at least one PIE in 2020. In Germany, the Wirtschaftsprüferkammer (WPK, Chamber of Public Accountants) publishes a list of these audit firms every year and makes all transparency reports available for download on its website. These transparency reports contain the names of all the PIEs which the respective audit firm has audited. We were able to derive the PIE audit engagements from the reports. Additionally, transparency reports

from the audit firms’ websites were also used as sources, if these were more up to date.

For research method 2, the BaFin provided a list of all insurance companies and capital requirement regulation (CRR) financial institutions. Capital market-oriented companies were identified based on data from the Frankfurt, Stuttgart, Berlin, Düsseldorf, Hamburg, Munich, and Hanover stock exchanges.

Research method 1 generated 999 companies, research method 2 provided 1,008 companies. In terms of numbers, the two lists are almost identical in size. However, a comparison shows that the transparency reports (research method 1) contain 98 companies that do not appear in list 2. Conversely, list 2 contains 107 companies that do not appear in the transparency reports.

Closer scrutiny of these companies revealed various reasons for the differences. For example, list 2 also includes companies which are headquartered abroad. Others are now insolvent. Other companies again only listed on the stock exchange after the deadline for the transparency reports or only delisted from the stock exchange after that deadline. Moreover, there are companies mentioned in list 1 whose names have since changed, which led to a double entry, or which have merged with another company.

Ultimately, list 1 was used as the starting point for the study, and some companies dropped out for various reasons, including insolvency or double entries. The final German PIE list with a total of 980 companies contains the PIEs from the audit firms’ transparency reports (minus the double entries and mergers). Furthermore, we added individual PIEs which were taken from the second list since they could be clearly categorised as PIEs.

PIEs in the UK

In the UK, the PIEs were only extracted from the publicly accessible transparency reports of the 26 audit firms which had at least one PIE audit engagement in

2020. A list of the corresponding audit firms can be obtained from the UK supervisory authority responsible for auditing, the Financial Reporting Council (FRC). Published annually, the FRC report “Key Facts and Trends in the Accountancy Profession” contains among other things a list of all audit firms which audit PIEs, the number of audit engagements each firm holds, and their revenues.

The transparency reports also list companies who do not have their headquarters in the UK. After consultation with the audit firms, these cases were eliminated. This resulted in a final tally of 1,659 UK PIEs.

PIEs in France

There is no list of all audit firms with PIE audit engagements publicly available for France. Neither the French oversight authority for auditors, Haut conseil du commissariat aux comptes (H3C), nor the French chamber of public accountants, Compagnie nationale des commissaires aux comptes (CNCC), provide these. However, the H3C publishes an annual report about its activities. Thus, the H3C “Rapport Annuel”, which came out in June 2021, at least states the number of audit firms for 2020: According to the report, there were 256 audit firms with at least one PIE audit engagement.

One particular feature of the French market is the obligation on PIEs to assign joint audits. Since each audit engagement is awarded to at least two audit firms, the total number of auditors with PIE clients is significantly higher than in Germany or the UK. Even very small audit firms or individual auditors are tasked with PIE audits, although frequently only for one or two companies.

Since the audit firms in the H3C report are not explicitly named, only the transparency reports of the largest, well-known audit firms were used as a source for the study.

In addition, PIEs were identified in a similar manner to research method 2 that was used in Germany: based on the data for the regulated market of the French stock exchange, as well as on the data from the French financial supervisory authority for financial institutions and insurance companies. Our contacts were the Euronext Paris stock exchange and the financial supervisory authority of Banque de France: Autorité de contrôle prudentiel et de résolution (ACPR). However, neither the ACPR nor the French regulatory authority for the stock market, Autorité des Marchés Financiers, were able to provide unequivocal information about which companies on the regulated market or which insurance companies and financial institutions are definitely PIEs. In individual cases, this could not be resolved conclusively.

The total list of 1,588 French PIEs is derived from four sources:

- The capital market-oriented PIEs were extracted from the Euronext Paris stock exchange list.
- The financial institutions were identified via the Banque de France digital portal “Regafi”.
- The insurance companies were ascertained from the Banque de France digital portal “Refassu”.
- Further PIEs were derived from the transparency reports of the largest French audit firms based on revenues.



Obtaining the PIEs' key financial figures

For the three countries combined, the key financial figures were subsequently ascertained for around 4,400 PIEs. The lion's share of the data derives from these companies' company reports and from their websites.

Depending on the category of company, different key financial data was used for the PIEs. Thus, while turnover is relevant for industrial and trading companies as a measure of company size, this is not the case for financial services providers. For this reason, turnover only constitutes the key figure for those capital market-oriented companies which are not financial institutions or insurance companies. Total assets were selected as the significant key figure for financial institutions, while gross premiums (all policyholder premiums due in a fiscal year) were chosen for insurance companies.

For the purpose of calculating the size of the PIE audit markets and each audit firm's market share, there are key figures for three submarkets for each country corresponding to the three categories of company.

Key financial figures of German PIEs

The key financial figures for German PIEs are derived from their company reports, which can be downloaded from their websites or via the Federal Gazette (Bundesanzeiger), the official publication of the German Department of Justice for publishing obligatory company announcements and legally relevant company news.

Insurance companies' gross premiums can likewise be ascertained from their company reports. Nevertheless, in many instances only the solvency and financial condition report provides the current data.

However, the final list of turnover figures contains some PIEs for which no key figures are available for 2020. These are cases of liquidated companies and those which are undergoing insolvency proceedings or have been merged into a corporation.

Key financial figures of UK PIEs

The company reports and data for UK companies can be ascertained through their websites or from Companies House, the agency which keeps the official register of UK companies.

An external service provider, the UK GlobalDatabase company, provided turnover figures for capital market-oriented companies and total assets figures for financial institutions for the study.

In the UK, investment trusts are also PIEs. These are listed companies, but similar to banks do not generate any notable turnover. Thus, as for banks, the relevant key figure for investment trusts is therefore total assets. The same applies to other financial services providers whose business models are geared towards investments in financial securities, risk capital and similar products.

The company's SIC code was used as a further criterion for the classification of each company into the categories of "financial institution", "capital market-oriented company" or "insurance company".

Key financial figures of French PIEs

In France, there is no comprehensive, publicly accessible database of company information. The government's online platform "BALO" (Bulletin des annonces légales obligatoires) only lists a relatively small number of PIEs' company reports. In addition, there are PIEs in France which are headquartered in French overseas territories and whose company reports or financial documents are difficult to locate.

For this reason, all key financial figures for French PIEs were ascertained from their websites and company reports. Since the insurance companies' balance sheets use divergent terminology for their key financial figures, the figures for "primes", "primes d'assurance" or "cotisations" were also used as key figures in individual cases alongside the figures for total assets (primes brutes émises).

Determining the top 14 audit firms and their PIE audit engagements

Apart from the key financial data for the PIEs, the revenues of the 14 largest audit firms were ascertained to enable an analysis of the market structure. Furthermore, the PIE audit revenues of the Top 4 and Next 10 audit firms were calculated.

For the German market, the most important source of information for the revenues of the largest audit firms is the market survey published in July 2021 by consultancy and market research company Lünendonk (the "Lünendonk List").

A list of the largest audit firms by revenue for the UK market is published among others by the online financial trade magazine "Accountancy Age". Moreover, the Financial Reporting Council (FRC) publishes a report every year which contains the revenue figures of the largest audit firms in the UK. The FRC report for 2020, published in July 2021, was used for this study.

For the French market, two providers publish ranking lists of the largest audit firms: the UK trade magazine "International Accounting Bulletin" (IAB) and the French trade magazine "La profession comptable". For this study, the IAB ranking was predominantly used; and data from "La profession comptable" was drawn on for supplemental information. Since the IAB ranking does not contain the latest revenue figures, current figures were additionally requested from the audit firms named in the ranking list.

The IAB also draws on revenues from auditor networks in its ranking. However, it uses the 2021 issue of "La profession comptable" as the source of its data, since more up-to-date figures can sometimes be found there than in the IAB list.

LEGAL INFORMATION

Disclaimer: All information has been carefully researched and compiled. The editorial team, the publishing house and the publishers do not assume liability for the accuracy and completeness of this content or for changes that may have occurred following publication.

© February 2022

Mazars GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Domstr. 15, 20095 Hamburg, Germany

F.A.Z.-Institut für Management-, Markt- und Medieninformationen GmbH, Frankenallee 71–81, 60327 Frankfurt am Main, Germany

Publishing house: F.A.Z. BUSINESS MEDIA GmbH – Ein Unternehmen der F.A.Z.-Gruppe, Frankenallee 71–81, 60327 Frankfurt am Main, Germany

Managing Directors: Dominik Heyer, Hannes Ludwig

All rights reserved, including photomechanical reproduction and storage on electronic media.

Editorial team: Eric Czotscher, Thilo Kampffmeyer, Paul Siethoff (F.A.Z. BUSINESS MEDIA | research)

Design and layout: Christine Lambert (F.A.Z. BUSINESS MEDIA)

Copy editor: Vera Pfeiffer

Translation: Geraldine Diserens

Market Research: F.A.Z. BUSINESS MEDIA | research

Cover photo: Mazars

Gender notice: We strive to publish texts that are easy to read and reflect all genders in our texts. This can be implemented by stating the generic masculine term, stating both forms, or using neutral formulations. In all cases, we always of course include all gender groups – without any limitation. We do not use any special linguistic forms or symbols.

Contact

Mazars GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Domstr. 15
20095 Hamburg
Germany
Tel: +49 40 288 01-0

F.A.Z.-Institut für Management-, Markt- und Medieninformationen GmbH

Jacqueline Preußner
Frankenallee 71–81
60327 Frankfurt am Main
Germany
Tel: +49 69 75 91-19 61
E-mail: j.preusser@faz-institut.de

Mazars is an international integrated partnership specialising in the areas of auditing, taxation, and law¹, as well as accounting and financial advisory and consulting services. We operate in more than 90 countries and regions around the world and draw on the expertise of more than 44,000 professionals – more than 28,000 in the Mazars integrated partnership and more than 16,000 via the Mazars North America Alliance – to support clients of all sizes at every stage of their development.

¹ If permissible according to applicable legislation in the respective country.

www.mazars.de

F.A.Z.-Institut is a member of the prestigious Frankfurter Allgemeine Zeitung publishing group. As a service provider for decision makers in communication and marketing, it stands for relevant, trustworthy, and high-quality information. For the last 30 years, the work of the F.A.Z.-Institut has been distinguished by professional recognition, an excellent reputation, and long-standing customer confidence.

www.faz-institut.de

mazars

F.A.Z.-INSTITUT