Paradigm

Coercive Mechanisms and Audit Documentation Quality in Integrated and Sustainability Reporting: A Comparative EU Analysis

Alexandru Ioan MACA
University of Economic Studies, Bucharest, Romania
macaalexandru23@stud.ase.ro

Oana V. TIRDEA (PREDOAIA)
University of Economic Studies, Bucharest, Romania
tirdeaoana06@stud.ase.ro

Gina Elena ZLATE
University of Economic Studies, Bucharest, Romania
zlategina18@stud.ase.ro

Daniel BUDA
Babes -Bolyai University, Cluj-Napoca, Romania
daniel.buda@fspac.ro

Abstract. *Financial transparency is a key factor that influences market confidence in the EU, and the quality of audit documentation is essential to this process. To address this, the EU implemented the Audit Regulation (EU No 537/2014) and, more recently, the Corporate Sustainability Reporting Directive (CSRD). These helped reconfigure the supervisory practice and enforcement mechanisms in place. As a result, the audit authorities in each country adapted their structures, methodologies, and sanctioning practices to meet the required standards. This paper uses a qualitative, document-based comparative analysis, using the 2024 annual reports, of the audit authorities in France (H2A), Germany (APAS), and Spain (ICAC) with the goal of understanding how differences in the supervisory architecture and sanctioning regimes reflect in enforcement signals for audit quality. Our findings showed that there are clear contrasts: Germany presented a high volume of disciplinary actions and a detailed categorization of issues; France focused on early integration of sustainability assurance; Spain showed increased focus on the transparency and proportionality of penalties issued. All three jurisdictions show that documentation failures and breaches of independence are the reasons most frequently subject to disciplinary actions. This helped to confirm that the supervisory model applied, the transparency practices, and the way resources are allocated affect enforcement outcomes. Our paper showed that the design model used affects documentation quality, especially through the level of inspection coverage, the ability of follow-up procedures, the deterrence level, and the learning effects influenced by the visibility and details of published sanctions. These factors encourage auditors to improve completeness, traceability, and compliance with the applicable standards in their work. Also understanding the way in which design affects sanctions, the paper provides guidance for improving audit quality and supervisory effectiveness. Risk-based inspections, consistent sanction types, and transparent presentation help strengthen the documentation quality.*

Keywords: *audit reform, sanctions, supervisory authority, European Union, comparative analysis.*

DOI: 10.2478/picbe-2026-0030

Introduction

The European Union's audit landscape has gone through significant structural changes, especially following the implementation, in 2014, of the Audit Regulation (EU) No 537/2014 and, more recently in 2022, the Corporate Sustainability Reporting Directive (CSRD). These newly issued directives increased the responsibilities of national audit authorities, expanding the scope of their supervision and introducing several new requirements related to the documentation and assurance of both financial and sustainability information.

Following these changes, understanding how existing differences in supervisory architectures translate into enforcement outcomes and documentation-related interventions has increased in importance. The requirement for increased effective audit supervision is further reinforced by the existence of some high-profile corporate audit failures, such as the Wirecard case, and by the changing and rising complexity of business environments. These factors led to the need for national authorities to not only detect but also investigate and sanction the deficiencies identified in their work processes, to help maintain trust among existing market participants. Following this, the quality of the documentation produced by auditors has become a key aspect for supervisory effectiveness.

Despite these growing regulatory requirements which appeared in the recent period, the present research available provides however limited cross-country comparative practical evidence on how the national oversight models used shape the coercive enforcement mechanisms applied. This is particularly important in the EU considering its diverse country and institutional landscape. A clear research gap is therefore observable which, in our opinion, offers opportunities for further research. Existing prior studies have looked at oversight systems conceptually or focused on describing broad post-reform divergence s. However, they rarely investigate how these differences in supervisory architecture directly influence sanctioning models or documentation quality. This paper, therefore, addresses this gap by comparing three of the main EU Member States: France, Germany, and Spain, which represent different supervisory models and also institutional trajectories or paths.

Looking at the recent literature, we can observe the existence of persistent weaknesses in documentation, independence, and also risk assessment (IFIAR, 2024; CEAOB, 2024). When looking at the existing institutional research, we notice that it points out how the present regulatory structures affect enforcements (García-Osma et al., 2017; Gisbert et al., 2025). There are, however, other studies which concentrate on the behavioral responses to audit communication (Backof et al., 2022) and also on firm-level quality risks (Işık & Vural, 2025). These further point out the consequences of the documentation deficiencies identified. The work presented in this research demonstrates both the importance of sanctions related to documentation of work and also the growing need for a comparative evidence linking how supervisory is designed with the resulted enforcement outcomes it generated. Completing on these findings, Garefalakis et al. (2025) show that audit quality indicators differ substantially across different regulatory systems. They also show that the integration of new ESG assurance requirements, under the recent CSRD, further increases the need for ensuring a more uniform oversight mechanism. Their cross-jurisdictional analysis demonstrates the existence of persistent fragmentation in audit quality measurement frameworks, therefore reinforcing the need for country-level comparative research such as the one addressed by the present study.

Therefore, considering the above, this research focuses on three of the main EU countries: France, Germany, and Spain, as their varying supervisory architectures—centralized vs. delegated

model, use of professional bodies, different transparency practices, and integration of newly issued sustainability assurance requirements—provide a solid setting for a comparative analysis. These contextual variations help strengthen the importance and rigor of the study's findings within the broader EU current oversight framework.

The central research question on which our paper focuses for guidance is therefore: ***How do supervisory constraints and coercive regimes in France, Germany, and Spain differ in their application, and how do these differences influence the quality of audit documentation?***

This papers contribution comes from linking (a) supervisory design models used (delegation vs. centralization, resourcing, and transparency) to (b) observable enforcement mechanisms and results (sanction frequency, fine ranges, and stated reasons) and to (c) the resulting incentives, if any, for audit firms to improve regarding the documentation requirements of ISA-230. Structurally, our paper is organized in the following structure: Section 2 focuses on the review of prior evidence on oversight and documentation deficiencies; Section 3 continues and outlines the comparative framework and the coding protocol used; Section 4 then reports the cross-country results identified using standardized indicators; finally Section 5 concludes with identified implications for those in charge with regulatory oversight and also for audit firms, taking into account the recent CSRD-driven assurance extended requirements.

Literature review

The existing literature regarding different audit supervision models and as a result different enforcement mechanisms used demonstrates that the institutional design chosen, the regulatory capacity available, and sanctioning practices applied play important roles in shaping the quality of audit outcomes both within and across different jurisdictions. Recent reports issued by the IFIAR and CEAOB showed the existence of several persistent deficiencies in, for example, ISA 230 (audit documentation), ISA 330 (responses to risks), and ISA 500 (audit evidence). Their reports also pointed out the increasing need for the integration of sustainability assurance into the national inspection and enforcement practices used by authorities (IFIAR, 2024; CEAOB, 2024). These identified deficiencies help provide a baseline for examining how the existing national oversight models used in different countries influence documentation-related sanctions.

When looking from a theoretical perspective, the existing prior research interprets enforcement systems through institutional, regulatory governance, and deterrence theories. These presume that variations in regulatory structures—such as, for example, the existence of delegation of authority agreements, transparency of applied sanctions, and resources available at their disposal—influence both the auditor behavior and the observable enforcement outputs (García-Osma, Gisbert & de las Heras, 2017; Gisbert et al., 2025). Looking at existing comparative evidence found across the EU further shows that the Member States maintain different oversight configurations. These vary from centralized models (Spain's ICAC) to dual or delegated structures (France's H2A, or Germany's APAS/WPK). Each of these models observed presents a set of different implications not only for consistency but also for public accountability (Accountancy Europe, 2022). Taken together, these perspectives present the importance of understanding how the supervision model chosen influences the type, frequency, and severity of the sanctions issued for documentation-related breaches.

This reasoning is in alignment with the foundational institutional theory, which conceptualizes institutions as being the "rules of the game" which structure incentives and also constrain behavior through the implementation of formal rules, monitoring, and sanctions (North,

1990). Looking from this perspective, audit oversight institutions operate as enforcement bodies whose design—particularly the clarity of rules set, the probability of detection of deficiencies, and the level of punishment severity— affects directly the auditors' cost–benefit calculations regarding their compliance with the requirements related to documentation and evidence. As a consequence, we can notice that even though there is a harmonized EU framework, the existing differences identified in supervisory architectures in each country may help generate persistent cross-country variations in both documentation quality and sanctioning patterns.

Another line of research focuses on the relationship which exists between supervision, inspection findings, and the audit quality. DeFond and Lennox (2017) provide, in their paper, evidence that significant inspection findings identified and reported may encourage audit firms to further strengthen not only their testing techniques but also their internal controls frameworks. This, therefore, supports a deterrence-based interpretation of regulatory oversight effects. Inspection reports issued at the EU level reinforce this dynamic. These reports show that failures which are related to audit documentation, the existence of insufficient audit evidence, and observed weaknesses in addressing the responses to risks still remain the most sanctioned areas across the EU Member States (CEAOB, 2024). The findings presented helped explain why deficiencies related to documentation continue to frequently trigger escalation from remedial measures to coercive sanctions.

Recent work on the relationship which exists between the monitoring and audit quality in small and medium-size firms helps offer further insights into this matter. Owusu-Afriyie et al. (2024) provide empirical evidence showing that external monitoring significantly improves audit quality. Their work also shows that compliance with quality standards (ISA 220 and ISQM 1) is acting as mediating mechanism. The structural-equation modeling used in their work demonstrates that thorough monitoring has the effect of enhancing the conformity to methodological and documentation existing requirements, reinforcing therefore the view that enforcement and quality-management frameworks together help shape audit outcomes. This evidence presented helps to reinforce the argument that existing pressure by supervisory authorities, through different available methods like inspections, monitoring, or even sanctions, may create incentives for improved documentation practices.

The existing literature related to audit communication continues to highlight the importance of transparency and reporting. In their work, Sirois, Bédard, and Bera (2018) provide evidence that Key Audit Matters (KAMs) direct the attention of users toward areas of increased audit risk and judgment. The results in their paper draw the attention that audit disclosures actively influence information acquisition and learning, and as a result, they do not merely convey information. Also very important, they demonstrate that when multiple KAMs are disclosed, users' attention to other disclosures decreases, revealing tradeoffs between transparency, cognitive load, and information processing efficiency. The findings presented are directly relevant for the understanding of enforcement transparency in the activity of audit oversight. The public disclosure of sanctions—particularly in the case of those related to the existence of documentation failures may function as mechanisms for learning, similar to KAMs, and may present a role in clarifying the expectations of supervisors, indirectly influencing as a result even audit firms which are not among those directly sanctioned.

The recent expansion of sustainability assurance requirements, presented under the newly issued Corporate Sustainability Reporting Directive (CSRD), further intensifies these dynamics. Fuller et al. (2025) show, in their paper, that the new mandatory sustainability-related reporting

and assurance obligations issued significantly expand the existing scope of the required evidence which must be collected, the internal controls needed, and the requirements related to professional judgment applied by auditors in their work. Their analysis raises the attention that CSRD's double materiality approach, combined also with the existing multi-standard assurance environments (ISAE 3000/3410, ISO 14064-3, AA1000), increases the documentation complexity and raises the risk of exposure to supervisory scrutiny. As a result of these, deficiencies identified related to audit documentation are likely to become even more visible and also more important within enforcement systems.

Another relevant body of research which we mention is related to Audit Quality Indicators (AQIs) and their evolving integration into sustainability assurance requirements. In this case, many jurisdictions are piloting AQI frameworks in order to enhance both transparency and comparability. AQI adoption still remains, however fragmented, showing limited alignment across existing regulatory systems. Recent cross-jurisdictional evidence observed confirms the existence of this fragmentation. Related to this aspect the work of Garefalakis et al. (2025) shows that AQI frameworks vary significantly across the EU, UK, U.S., and Canada. They also show that ESG-related indicators are unevenly incorporated into the audit oversight activity. This fragmentation complicates, as a result, oversight in areas such as partner involvement, documentation of controls, and also sustainability-related methodologies —areas which are particularly sensitive to enforcement action.

Finally, we note that European research continues to consistently emphasize that audit quality is shaped not only by auditing standards but also by the way in which each institution designed its own enforcement regimes. Differences in several areas like competences, investigative capabilities, and powers attributed, publication practices used, and resource allocation available at their disposal contribute to existing differences in patterns of sanctions applied across countries (García-Osma et al., 2017; Gisbert et al., 2025). A look at recent national authority reports further illustrates these differences. In France, it was observed that the H2A has integrated sustainability assurance early on into its supervision activity. Germany's APAS stands out however with a high volume of public penalties and disciplinary measures, while in Spain, the ICAC chose to prioritize transparency and proportionality in enforcement.

Taken together these recent studies converge on several points as follows: (i) the monitoring and enforcement mechanisms in place directly influence the audit quality and related documentation behavior (Owusu-Afriyie et al., 2024); (ii) the expansion of new sustainability assurance under the recent CSRD creates several new demands related to oversight and further intensifies documentation requirements (Fuller et al., 2025); and (iii) the institutional design and supervisory architecture chosen by each authority remain central determinants affecting how sanctions related to documentation are applied across each EU Member State. A gap remains, however, which concerns the absence of comparative, EU-focused empirical analysis on how these supervisory differences identified translate into divergent documentation-related enforcement patterns—precisely the contribution of the present study.

Methodology

The study in the present paper used a qualitative and comparative documentary approach, which consisted in systematically analyzing the 2024 annual reports of three of the main audit supervisory institutions in Europe: the H2A in France (Haute Autorité de l'Audit, 2024), APAS and WPK in Germany (Abschlussprüferaufsichtsstelle, 2024 and Wirtschaftsprüferkammer, 2024), and ICAC

in Spain (Instituto de Contabilidad y Auditoría de Cuentas, 2024). Considering the fact that the analysis uses a single reporting year (2024), the design chosen is cross-sectional across the chosen jurisdictions rather than time-series based.

For our work, we adopted the six-dimension framework of García- Osma et al. (2017) to structure our comparative analysis of France (H2A/CNCC), Germany (APAS/WPK), and Spain (ICAC):

i. competences in oversight.
ii. organizational structure.
iii. financing.
iv. transparency.
iv. supervisory mechanisms (quality assurance vs. investigations); and
v. disciplinary mechanisms.

The use of this framework helped us to enable a consistent coding of institutional features, including the degree of existing delegation to professional bodies, the distribution of responsibilities between PIE and non-PIE oversight, and the publication pra ctices surrounding inspection results and sanctions. To ensure enhanced transparency and replicability, we defined explicit coding criteria's for each dimension (e.g., how delegation, publication practices, and scope of authority are classified) and applied these criteria uniformly across the three countries.

Building on the 2017 framework presented above, we updated the indicator set with post-2014 developments , which were documented by Gisbert et al. (2025) (e.g., cooling□off requirements, sanction maximums, work program disclosure, and cost–benefit assessment of delegation vs. direct control). However, in our empirical analysis, we decided to restrict attention to indicators for which all three countries publish directly comparable data. These include structural arrangements, resourcing, inspection activity and outcomes, sanctioning patterns (including breaches related to documentation and independence), procedural duration if this was disclosed, and the level of transparency in the publication of sanctions. As a result, we track three evidence types per country:

1. Structural arrangements (e.g., APAS direct control over PIEs; WPK for non-PIEs; H2A supervision with CNCC delegation; ICAC centralized model).

2. Resource variables (staffing resources and funding sources available).

3. Enforcement outputs (counts and types of sanctions, ranges of fines, share attributable to documentation/independence breaches).

To ensure that the information used is comparable across the jurisdictions analyzed, we used a harmonized coding protocol to help ensure standardized definitions, units, and classifications (e.g., PIE vs. non-PIE inspections, sanction categories, resource indicators). Where the reports used different classifications or levels of aggregation, we mapped local labels to the common categories identified. Further on where harmonization was not found to be feasible, variables were marked as "not reported" and, as a result, excluded from our cross-cou ntry ratios.

Mapping the practices observed to the six dimensions enables the assessment of whether the design choice of each authority—such as delegation, the transparency policies, and the financing models—correlates with the sanctioning patterns identified, particularly in the case of those related to audit documentation. This approach responds directly to the literature's predictions that independence–competence tradeoffs and legacy institutional distance help influence the level of harmonization and of regulatory effectiveness, therefore situating our analysis within the broader EU oversight research stream.

The empirical work focuses on how the activity of the authorities is organized, including any delegations of competence, number of controls, classification of controls (e.g., PIE/non-PIE), volume and types of sanctions, duration and outcomes of disciplinary procedures, disciplinary innovations (e.g., administrative composition, simplified procedures), and transparency in the publication of sanctions.

While the methodology we used in our paper builds on prior comparative studies of audit regulation in the EU, including those issued by the CEAOB and IFIAR, it distinguishes itself by focusing its attention on the most recent regulatory reporting period of 2024 and explicitly by integrating both financial and sustainability assurance perspectives.

The main data points used are therefore:

• Number of staff and auditors under supervision.

• Number, focus, and outcomes of controls.

• The nature, frequency, and monetary value of sanctions applied.

For clarity—and to limit the scope strictly to what is analyzed—we provide a summary table defining only the variables employed in the empirical analysis (Table 1).

Table 1. Summary of Variables Used in the Analysis (limited to empirically analyzed content)

Variable Name	Operational Definition	Type	Source in Reports	Use in Analysis
Oversight Competence Allocation of Responsibility	Allocation of competences or responsibilities (e.g., PIE vs. non-PIE) and any delegation applied.	Categorical	Mandate statements or disclaimers in the reports regarding the governance models used.	Understand the institutional design used and the applicability of delegation.
Organizational Structure model applied	Supervisory model used (centralized or single authority, dual authority, delegated authority).	Categorical	Organizational descriptions of how activity is organized and controlled.	Compare structural arrangements both within the institution and with third parties if applicable.
Financing and Resources Available	Type of funding sources available, staffing capacity levels (e.g., FTEs availability).	Mixed (categorical; numeric for FTEs)	Financial statements/reports, staffing tables, financing structure statements/disclosures in the reports.	Assess overall capacity and the level of financial independence available.
Auditors/Firms Under Supervision	Count of audit firms and statutory auditors within the scope of each authority.	Numeric	Available Registries, scope/disclaimer sections related to population supervised in the reports	Normalize activity across countries and institutions.
Number of Controls/Inspections Performed	Total inspections in the period analyzed, breakdowns where these are available.	Numeric	Inspection statistics or reports issued regarding the controls and inspections performed	Measure the supervisory activity intensity in each of the three countries.
Focus of the Controls Performed	Priorities followed by each authority (e.g., documentation, independence, or sustainability assurance).	Categorical	Annual plans, activity reports, inspection summaries.	Identify the main focus of the regulatory activity of each institution.

Variable Name	Operational Definition	Type	Source in Reports	Use in Analysis
Inspection Results (Intensity)	Category of findings (e.g., significant findings, observations, or none).	Ordinal	Inspection results tables, Inspection summaries, or reports issued.	Evaluate the quality outcomes identified.
Supervisory Mechanism Type	The type of quality assurance applied (reviews vs. investigations) and the existence of joint/thematic reviews if these are reported.	Categorical	Methodology and activity sections of the reports issued.	Understand the operational approaches used by each institution.
Disciplinary Mechanism Used	Procedure types identified (administrative, legal, simple, or complex).	Categorical	Disciplinary sections of the reports.	Compare the enforcement models applied by each authority.
Sanctions Type	Warnings issued, reprimands, monetary fines applied, restrictions, withdrawal, or suspension of licenses.	Categorical	Sanction registers, measures applied statements.	Compare sanctioning information available and used by authorities.
Sanction Frequency	Number of sanctions/disciplinary actions issued during the specified period.	Numeric	Sanction statistics, warnings/ measures reports.	Assess enforcement level.
Sanctions Monetary Value	Range and/or average of the fines issued.	Numeric	Financial penalty tables, warnings reports, activity reports.	Compare the level of penalties applied.
Documentation-Related Sanctions (from total sanctions identified)	Proportion of total sanctions attributable to documentation breaches vs. other types of sanctions.	Ratio	Sanction breakdowns/lists, description of reasons.	Link design of supervisory activity to audit documentation quality issues identified.
Independence-Related Sanctions (from total sanctions identified)	Proportion of total sanctions issued linked to any independence breaches vs. other type of sanctions identified.	Ratio	Sanction breakdowns/lists, description of reasons.	Assess independence issues identified during controls performed.
Duration of the Disciplinary Procedures applied	Average time from the start of the procedure to issue of the final statement **(where information is available)**.	Numeric	Procedural reports, timelines regarding the durations, reports regarding average time, number of controls in a period.	Compare the efficiency of procedures used when these are comparable.
Publication Practice of Sanctions/Disciplinary actions issued	Disclosure of approach used: full description, use of anonymized data, or aggregately available data.	Categorical	Identify the transparency applicable in the publication policies	Assess how transparency is applied related to enforcement outcomes.
Disciplinary Innovations Identified (if any)	Presence of any innovations (e.g., administrative improvements, any simplified procedures applied).	Categorical	Disciplinary sections of the reports, sections regarding newly implemented methods.	Understand the existing enforcement design used and how it evolves.

Source: Authors' own research based on the 2024 annual reports of each authority.

The focus on sanctions related to documentation issues is further increased by evidence that any ambiguity in audit communication significantly affects users' evaluations of auditor performance. Backof et al. (2022) show that unclear description of auditor responsibilities amplifies the perceptions regarding negligence and reinforces the need to examine how supervisory authorities report deficiencies identified and communicate expectations.

Results and discussions

The comparative evidence resulted from the analysis of the 2024 annual reports of the H2A (France), APAS/WPK (Germany), and ICAC (Spain) showed that supervisory constraints and coercive regimes differ in how oversight activity is organized, how enforcement measures are applied, and how documentation-related expectations are communicated in each country, by each authority responsible. We use these differences noticed to explain how enforcement signals vary across each country and how those signals can help to further strengthen (or weaken) the incentives for audit firms to improve on ISA-230 documentation quality requirements (García-Osma et al., 2017; Gisbert et al., 2025; CEAOB, 2024; IFIAR, 2024).

A primary contrast, related to structure, concerns how the **allocation of supervisory responsibilities** is performed and the existence or absence of any **delegation** arrangements to professional bodies. Referring to France the system used combines direct public supervision, by H2A, for PIEs with delegation of routine non-PIE controls to the professional body (CNCC) under the public authority's framework. H2A retains, however, exclusive disciplinary powers. Germany chose to operate a dual model in which APAS is responsible for overseeing PIE audits and WPK for overseeing non-PIEs . APAS maintains, however under its control, the public oversight powers over WPK. Spain applies a different centralized model in which the ICAC directly supervises and sanctions both PIE and non-PIE auditors . In the case of Spain, there is therefore no formal delegation to other authorities. Table 2 summarizes these institutional allocations.

Table 2. Oversight design

Country	PIE Supervision	Non-PIE Supervision	Delegation to Professional Body	Public Oversight of Delegation
France	H2A (direct)	CNCC (delegated by H2A)	Yes (non-PIE only)	H2A supervises CNCC
Germany	APAS (direct)	WPK (self-regulation)	Yes (WPK for non-PIE)	APAS oversees WPK
Spain	ICAC (direct)	ICAC (direct)	No	Not applicable

Source: Authors' own research based on the 2024 annual reports of each authority

For a better understanding of supervisory constraints, it is also important to consider the **scale of the supervised populations**. When looking at France, Germany, and Spain, we observe that each institution is responsible for supervising a large number of auditors and firms, implying high oversight workloads and, as a result, a possible structural need for prioritization (e.g., apply risk-based inspections), and/or considering the applicability of delegation to preserve or improve coverage of the population under supervision. Table 3 presents the registered population under supervision in each jurisdiction.

Table 3. Auditors registered by country

Country	Individual Auditors	Audit Firms	Total Auditors & Firms
France	11,422	6,938	18,360
Germany	16,437	3,020	19,728
Spain	21,599	1,358	22,957

Source: Authors' own research based on the 2024 annual reports of each authority .

Supervisory capacity is further affected by the availability or structure of **resourcing and financing arrangements**. Funding sources identified differ across the jurisdictions analyzed. These combine various mixes of public funding and fees levied on the profession, and these arrangements influence operational stability, perceived independence, and the feasibility of sustained inspection programs. Table 4 summarizes staffing and financing structures for the main supervisory bodies involved in each country.

Table 4. Number of employees and financing source by authority

Country	Authority / Institution	Number of Employees (2024)	Financing Source
France	Haute Autorité de l'Audit (H2A)	68	Audit oversight fees (levies on audit fees from registered auditors and firms)
France	CNCC (Compagnie Nationale des Commissaires aux Comptes)	97	Membership fees and service charges from auditors and audit firms
Germany	APAS	60	Federal budget (public funds) + cost-covering fees from PIE audit firms
Germany	WPK (Wirtschaftsprüferkammer)	Not available	Membership fees from auditors and audit firms (self-regulatory chamber)
Spain	ICAC	76	Audit oversight fees from registered auditors and audit firms

Source: Authors' own research based on the 2024 annual reports of each authority.

Combining the supervised population scale with the staffing levels provides a proxy for the analysis of the **workload intensity**. High auditor-to- staff ratios can lead to constraints in inspection practice and also in follow-up capacity. The existence of these possible constraints may affect how supervision is operationalized and which types of deficiencies are most frequently detected and sanctioned. Table 5 reports the ratio between the number of auditors/firms and the number of employees of the main supervisory authorities.

Table 5. Supervisory workload proxy: (auditors + audit firms) per supervisory authority employee

Country	Auditors + Audit firms (count)	Employees	Workload ratio (entities per employee)
France	18,360	68	270
Germany	19,728	60	329
Spain	22,957	76	302

Source: Authors' own research based on the 2024 annual reports of each authority.

Within the structural and capacity context presented above, the coercive regimes can be further compared through **sanction typologies**, **fine ranges**, and the main reasons for **disciplinary action**. Across all three countries France, Germany, and Spain, documentation failures and independence breaches are continuously identified as the main reasons for enforcements. This is in line with EU-level patterns which frequently mention that issues related to ISA 230 (Audit Documentation), ISA 330 (Responses to Assessed Risks), and ISA 500 (Audit Evidence) are repeated deficiencies which lead to sanctions (CEAOB, 2024; IFIAR, 2024). Differences identified across countries differ in the intensity and design of sanctions and in how the enforcement mechanism is operationalized, for example, in PIE versus non-PIE audits. Table 6 summarizes sanctions, fine ranges, and the main stated reasons for coercive measures.

Across all the three jurisdictions analyzed, the supervisory design applied influences documentation quality through three observable channels. First, through *detection capacity*: where coverage is increased through delegation, as in the case of France, or through a split oversight model, like the one in Germany, inspection capacity and reach can be expanded. However, in this case, coordination becomes a critical part in order to ensure consistent documentation expectations and practices. Secondly we have *deterrence intensity*: the existence of higher fine ceilings and high- profile cases (Germany/APAS) may increase the expected cost of documentation failures identified. This helps support incentives for stronger compliance. In the third case, we have *learning and clarity*: more transparent publication procedures (Spain/ICAC) may help provide audit firms with clearer examples of what constitutes insufficient evidence and documentation, enabling, as a result, the increased possibility of a faster remediation process. Together, these channels help to explain why the existence of recurrent breach areas (e.g., documentation and independence) can lead to the existence of different enforcement profiles and, consequently, different pressures on audit documentation practices. When looking from a practical perspective, auditors which operate under regimes which imply higher deterrence systems and clearer enforcement signals may face stronger incentives, or they may be more encouraged to ensure the proper documentation of judgments, evidence, and responses to risk when performing their work, reducing as a result ex-post remediation and repeated deficiencies.

Table 6. Sanctions & documentation signals

Country	Institution	Value of Fine (€)	Total disciplinary decisions / measures (reported)	Other Sanctions	Main Reasons for Fines	Main Reasons Other Sanctions
France	H2A	€3,000–€30,000	13 disciplinary decisions (reported)	8 removals, warnings	Documentation failures, independence breaches, sustainability non-compliance	Same as fines; plus training non-compliance
Germany	APAS	€2,000–€500,000 (total €808,000)	13 fines (39 measures in total)	Bans, warnings	Documentation failures, independence breaches, quality control deficiencies	Same as fines
Germany	WPK	€500–€27,000	3 fines (35 sanctions total)	9 warnings, 18	Documentation failures,	Same as fines; repeated breaches

Country	Institution	Value of Fine (€)	Total disciplinary decisions / measures (reported)	Other Sanctions	Main Reasons for Fines	Main Reasons Other Sanctions
				combined (fine+warning), 5 bans	independence breaches	
Spain	ICAC	€1,200–€300,000 (total €780,002)	47 fines (48 cases resolved)	Warnings	Documentation failures, independence breaches, training/reporting non-compliance	Same as fines

Source: Authors' own research based on the 2024 annual reports of each authority.

Taken together, Tables 2–6 presented above provide a direct and integrated answer to the research question in this paper. Supervisory **constraints differ structurally** (centralized versus mixed/dual oversight models) and **operationally** (workload intensity as proxied by staff capacity relative to supervised populations). **Coercive regimes are found to differ** in the scope and severity level of fines, in the mix of non-monetary and monetary sanctions (warnings, bans, removals), and in how enforcement is distributed across, for example, PIE and non-PIE segments (particularly in the case of Germany's dual system model). These design models used influence audit documentation quality by shaping (i) which documentation weaknesses are most probable to be detected, (ii) the expected cost of inadequate documentation, and (iii) the clarity with which supervisors communicate acceptable documentation standards. These represent three factors that jointly condition auditors in their documentation behavior. The prominence of sanctions related to documentation issues across jurisdictions is consistent with prior supervisory reports identifying documentation issues as a recurrent deficiency area which appear in inspections.

As the new CSRD-driven **sustainability assurance** affects the statement of supervisory priorities, this pattern is reinforced in all three countries: France, Germany, and Spain. This is performed, however, at different speeds, expanding evidence requirements and judgment points, and thereby increasing exposure to documentation deficiencies under ISA 230. Regarding the subject of sustainability, we found that France has moved fastest, with H2A already embedding sustainability assurance into its oversight and disciplinary procedures and is already issuing practical guidance that clarifies the required documentation expectations early. Germany however chose to follow a preparatory more capacity-building oriented path by emphasizing on training, inspection focus on firms' readiness, and regulatory coordination. Any enforcement effects are likely to materialize later, following a stabilization period. Spain chose to rely on a guidance-and-transparency approach. It is therefore using an extensive regulatory communication approach to accelerate compliance and translating supervisory signals into concrete documentation practices. Overall, the CSRD transition findings in our paper reinforces the paper's core mechanism that supervisory design affects audit documentation quality through the clarity of expectations, detection capacity available, and deterrence intensity applied, with sustainability assurance amplifying all three of these channels.

Conclusion

This study examined how the supervisory constraints and coercive regimes differ across three of the main EU countries: France, Germany, and Spain. Our work further analyzed how these differences influence the quality of audit documentation within the context of the recent EU audit reforms and the progressive integration of sustainability assurance under the CSRD. Through using a comparative analysis of the 2024 annual reports issued by the respective supervisory authorities, the paper mapped institutional structures, supervisory capacity, and sanctioning practices in order to identify how enforcement design translates into documentation-related outcomes.

The results of our research show that, despite a common available EU framework which implies a common starting base for each country, enforcement profiles differ because supervisory design affects (i) the possibility of inspection reach and capacity levels, (ii) deterrence intensity, and (iii) the clarity of published enforcement signals. France and Germany chose to rely on mixed or dual oversight models. These vary in the degree of delegation to professional bodies. Spain, however, chose to apply a centralized public oversight model. These choices influence not only how consistently documentation expectations are communicated to the interested beneficiaries but also how quickly audit firms are able to remediate the recurrent ISA-230 weaknesses identified.

Considering the above, existing differences identified in supervisory architecture do not merely affect just the volume of enforcements or the severity of sanctions. They also systematically influence the quality of audit documentation by influencing the auditors' perceived detection risk, expectations related to sanctions, and understanding of the documentation expectations required from them. In the case of systems which present delegation, inspection coverage can surely be expanded. However, the consistency of enforcement signals depends heavily on how the coordination and harmonization mechanisms are put in place. In a centralized system, enforcement communication tends to be more uniform. This may have the potential to reduce ambiguity regarding documentation expectations.

In line with the empirical findings, documentation failures and breaches of independence emerge as the most often stated grounds for sanctions across all the three jurisdictions analyzed. These findings imply that audit documentation functions act as an important, enforceable proxy for audit quality, especially under conditions of high supervisory workload and limited resources availability. Differences were noticed, however, in the way coercive regimes are designed. Germany was found to combine higher fines and high-salience enforcement actions within a dual oversight structure. This is particularly in the case of PIE audits. Spain applies a more frequent sanctions approach and places greater emphasis on transparency in sanction publication. France, however, combines centralized audit supervisory authority with delegated inspection activity. It also showed early incorporation of sustainability assurance into its supervisory framework. These variations identified imply that enforcement effectiveness is not only shaped by sanction severity but also by the levels of frequency, visibility, and clarity.

Taken together, these findings indicate that constraints in supervisory activity and coercive regimes influence audit documentation quality through two interrelated channels. The first channel is the one that refers to deterrence. This is mainly driven by the perceived likelihood and cost of sanctions, as resulted from the fine ranges applied, the sanction instruments used, and the level of enforcement applied intensity. The second channel refers to learning and clarity. This is mainly shaped by the way in which inspection findings and sanctions are communicated and whether they help audit firms to infer concrete documentation expectations and take necessary actions for improvement. In cases where enforcement signals are frequent, present transparency, and are

clearly referred to auditing standards breached, they are more likely to support sustained improvements in the documentation practices of auditors.

The integration of recent sustainability assurance requirements under the new CSRD further reinforces the importance of these mechanisms. As sustainability reporting continues to expand not only the scope but also the complexity of audit evidence, documentation requirements become more demanding and, as a result, are more exposed to supervisory scrutiny as they require more attention. Countries which showed interest in providing early guidance on CSRD implementation and integrated sustainability assurance into inspections and enforcement procedures are better positioned to steer documentation practices during this transition period. Where preparatory approaches were chosen these may entail greater short-term variability in documentation quality.

Overall, the findings in our paper brings a contribution to the existing audit oversight literature through providing up-to- date comparative evidence related to how differences in institutional design, supervisory capacity, and coercive regimes come together to influence documentation-related enforcement outcomes. The results in our study suggest that further EU-level convergence efforts could help and trigger benefits from both a greater harmonization of sanction typologies and for publication practices. This comes alongside continued attention needed regarding existing supervisory capacity constraints. By clarifying how enforcement design impacts the quality of audit documentation, the paper offers relevant insights for regulators, supervisory authorities, and also for audit firms which operate in an environment that consists of expanding assurance responsibilities and as a result increased expectations regarding the levels of transparency and accountability required from them.

In the end, we point out the fact that this study is subject to several limitations. First, the analysis relies solely on publicly available annual reports of supervisory authorities. As a result, these may not capture informal enforcement practices or remedial actions which were not published. Second, the comparison is limited to only three EU Member States and to also to a single reporting year (2024). This aspect may lead to constraints regarding generalizability and may prevent longitudinal inference. Third, the integration of sustainability assurance under the recently issued CSRD requirements is still at an early stage. This implies the fact that observed enforcement patterns may evolve as supervisory practices continue to mature as time passes. Future research could further extend the comparative framework to include other additional jurisdictions. Also, it could incorporate data related to longer periods of time, or triangulate supervisory evidence with audit-level outcomes , such as, for example, inspection findings, report modifications, or restatements.

Acknowledgments: During the preparation of this work, the authors utilized M365 Copilot to enhance readability and language clarity. Following the use of this tool, the authors meticulously reviewed and revised the content as necessary and assumes full responsibility for the final content of the publication.

References

Accountancy Europe. (2022). *Public audit oversight: Streamlining European countries' oversight regimes*. Brussels: Accountancy Europe.

APAS – Abschlussprüferaufsichtsstelle. (2024*). Jahresbericht 2024*. Berlin: BAFA/APAS.

Backof, A. G., Bowlin, K., & Goodson, B. M. (2022). *The importance of clarification of auditors' responsibilities under the new audit reporting standards*. Contemporary Accounting Research, 39(4), 2284–2304.
CEAOB – Committee of European Auditing Oversight Bodies. (2024). *Report on the 2024 CEAOB Enforcement Questionnaire.* Brussels: European Commission.
Compagnie Nationale des Commissaires aux Comptes (CNCC). (2024). *Rapport d'activité 2024*. Paris: CNCC.
DeFond, M. L., & Lennox, C. S. (2017). *Do PCAOB inspections improve the quality of internal control audits?* Journal of Accounting Research, 55(3), 591–627.
Fuller, S. H., Heron, N. M., Riley, T. J., & Stuart, A. C. (2025). *Current developments in sustainability assurance: Impact of emerging regulations.* Current Issues in Auditing, pp. 1–13. American Accounting Association.
Garefalakis, A., Sitzimis, I., Angelaki, E., Giannopoulos, P., & Kyriakogkonas, P. (2025). *Audit quality indicators across jurisdictions: Regulatory diversity, ESG integration, and implications for public trust.* Sustainability, 17(21), Article 9421.
García-Osma, B., Gisbert, A., & de la s Heras, E. (2017). *Public oversight systems for statutory auditors in the European Union.* European Journal of Law & Economics, 44(3), 517–552.
Gisbert, A., Navallas, B., Gómez-Carrasco, P., & de las Heras, E. (2025). *Implications of the EU regulation on public oversight systems for statutory auditors.* Spanish Accounting Review, 28(1), 133–150.
Haute Autorité de l'Audit (H2A). (2024). *Rapport annuel 2024*. Paris: H2A.
IFIAR – International Forum of Independent Audit Regulators. (2024). *Annual Inspection Findings Survey 2024*. Tokyo: IFIAR.
Instituto de Contabilidad y Auditoría de Cuentas (ICAC). (2024). *Annual Activity Report 2024*. Madrid: ICAC.
Işık, B. K., & Vural, A. (2025). *Preventing audit quality risks in independent audit: A road map in the light of theoretical approaches*. International Journal of Contemporary Economics and Administrative Sciences, 15(1), 135–156.
North, D. C. (1990). *Institutions, Institutional Change, and Economic Performance*.Cambridge: Cambridge University Press.
Owusu-Afriyie, R ., Awunyo-Vitor, D., Gyimah, P., & Appiah, K. O. (2024). *Monitoring and audit quality: Does quality standards compliance matter?* Cogent Business & Management, 11(1), Article 2416095.
Sirois, L.-P., Bédard, J., & Bera, P. (2018). *The informational value of key audit matters in the auditor's report: Evidence from an eye-tracking study* . Accounting Horizons, 32(2), 141–162.
Wirtschaftsprüferkammer (WPK). (2024). *Bericht über die Berufsaufsicht 2024*. Berlin: WPK.

Appendix

N/A