



# ORGANISATION OF THE PUBLIC OVERSIGHT OF THE AUDIT PROFESSION IN 22 EUROPEAN COUNTRIES

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## Objective and background

The new European Union (EU) audit legislation includes provisions which impact the organisation of public oversight of statutory auditors and audit firms in EU member states. These provisions are included in the two following pieces of legislation:

- The [Directive 2014/56/EU](#) amending Directive 2006/43/ EC on statutory audits (2006 SAD) and containing a series of amended and new requirements governing every statutory audit in the European Union (hereafter referred to as “the Directive”);
- The [Regulation \(EU\) No 537/2014](#) containing additional requirements that relate specifically to statutory audits of Public Interest Entities (PIEs) in addition to the ones stated in the Directive (hereafter referred to as “the Regulation”).

In order to inform the implementation of the EU audit legislation in relation to public oversight at the national level, FEE has conducted a survey with its member bodies to determine:

- (1) The current state of affairs regarding the organisation of public oversight of statutory auditors and audit firms in European countries; and
- (2) How the changes included in the new and amended EU provisions have impacted, or are expected to impact, the organisation of public oversight in European countries.

# Belgium

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Standard setting bodies</b>  <b>Ministry of Economy</b> Ministre ayant l’Economie dans ses attributions/ Minister bevoegd voor de Economie  <b>High Council for the Economic Professions</b> Conseil supérieur des Professions économiques/ Hoge Raad voor de Economische Beroepen ( <b>CSPE-HREB</b> )  <b>Quality assurance and investigations</b> The Chamber of Disciplinary Transfer and Indictment Chambre de renvoi et de mise en état/ Kamer van verwijzing en instaatstelling ( <b>CRME-KVI</b> )  <b>Disciplinary authorities (DA)</b> Disciplinary Commission and Commission of Appeal Commission de discipline et Commission d’appel/ Tuchtcommissie en Commissie van Beroep  <b>Independence Issues</b> The Advisory and Supervisory Committee on the independence of the statutory auditor Comité d’Avis et de Contrôle de l’indépendance du commissaire/Advies- en controlecomité op de onafhankelijkheid van de commissaris ( <b>ACCOM</b> )
<b>Website</b>	<a href="http://oversight-audit-belgium.eu/">http://oversight-audit-belgium.eu/</a>  <a href="http://www.cspe-hreb.be/">http://www.cspe-hreb.be/</a>
<b>Professional Bodies</b>	<b>Institute of Statutory Auditors</b> Instituut van Bedrijfsrevisoren/ Institut des Reviseurs d’Enterprises ( <b>IBR-IRE</b> )

### Composition

In Belgium, the public oversight system consists of a number of bodies which each assumes part of the responsibility of the oversight of the audit profession. This was developed as part of the transposition into Belgian law of the Directive 2006/43/EC on statutory audit, with the Ministry of Economy being in charge of the supervision of the profession.

The composition of the other oversight bodies which form part of the system is as follows:

- The **CSPE-HREB** is composed of seven individuals representing the social and economic environment. These are non-practitioners<sup>1</sup> and are appointed by the Government by Royal Decree;
- The **CRME-KVI** is composed of three non-practitioners appointed by the Government by Royal Decree;
- The **DA** consists of a Disciplinary Commission and Commission of Appeal. In turn, both bodies are composed of practitioners and non-practitioners including professional judges; and
- The **ACCOM** has an advisory role on individual requests put forward by statutory auditors regarding the interpretation of the existing rules on independence. The ACCOM has decision-making power on authorizing certain non-audit fees and it may start disciplinary procedures for matters pertaining to infringements of statutory auditors' independence.

The **Public Prosecutor** is ultimately responsible for the approval and registration of statutory auditors and audit firms. The Public Prosecutor is also competent to start a disciplinary procedure against registered auditors and to file an appeal.

### Funding

The various oversight bodies are financed through government funding, apart from the CSPE/HREB and the CRME/KVI that are funded by the IBR-IRE through levies imposed on individual statutory auditors and audit firms, under provisions stated in the law which determines the amount or the calculation of the amount and the contributors. Both of these oversight bodies determine their own budget without influence from the IBR-IRE. The budget of the CRME/ KVI is determined on an annual basis, and is based on the previous year expenses with a maximum of EUR 400,000 set by Royal Decree, increased by the infrastructure costs.

### Transparency

The public oversight bodies prepare and present an annual report on their activities, along with their work programme for the following year. The annual report includes overall results of the quality assurance reviews performed. Individual firm results are not presented. Information on disciplinary measures and sanctions is included on an anonymous basis, but may include individual administrative sanctions which relate to anti-money laundering.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>	Standard setting: CSPE-HREB Endorsement: Ministry of Economy	
<b>Quality assurance system</b>	IBR-IRE Supervision and the final responsibility by CRME-KVI	
<b>Disciplinary measures and sanctions</b>	Shared responsibility between CRME-KVI, ACCOM, and IBR-IRE	
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

<sup>1</sup> For more information, reference is made to <http://www.cspe-hreb.be/>

## Scope of Activities

The scope of activities of the Public Oversight Bodies is as follows:

- The **endorsement of standards** is the responsibility of the CSPE-HREB and the Ministry of Economy;
- The CRME-KVI is a public entity with ultimate responsibility over the **quality assurance system** and complaints. Its competences are:
  - The approval of the annual list of quality assurance reviews to be performed, as proposed by the IBR-IRE;
  - The evaluation of the conclusions of the quality assurance reviews;
  - The indictment of disciplinary cases;
  - The access to individual files at any time;
  - The possible assignment of an expert by the CRME-KVI, who may be one of its members, to either attend the investigations conducted by the IBR-IRE; or conduct investigations itself;
  - To require the IBR-IRE to start an investigation;
  - To require the IBR-IRE to perform additional investigations;
  - To regulate the procedures with regards to complaints; and
  - To require the IBR-IRE to impose an injunction against an auditor to put an end to a situation under dispute.
- **Disciplinary measures and sanctions** can be imposed by the DA (the Disciplinary Commission and the Commission of Appeal) which is responsible for the ultimate decision about the imposition of sanctions against registered auditors, including removal from the public register of auditors;

## Advisory Committee

There is no Advisory Committee in place at the moment.

## Delegation to Professional Bodies

### Standard setting and endorsement of standards

Regarding standard setting, the IBR-IRE is competent to take the initiative to draft the auditing standards in Belgium, with the CSPE-HREB and the Minister of Economy being responsible for approval and endorsement.

### Quality assurance/ reviews and inspections/ investigations

The quality assurance reviews and inspections are carried out under the supervision of the CRME-KVI but some tasks delegated to the IBR-IRE. The IBR-IRE organises a quality assurance review system with regard to all audits of financial statements, under the supervision of the CRME-KVI. The review system established uses a cycle approach. The quality assurance reviews are performed by external inspectors (non-practitioners) for PIE files (“delegated inspection”) and active practitioners (“monitored practitioners’ review”) for non-PIEs.

Based on the results of the quality review, the Board of the IBR-IRE submits a proposal of decision to the CRME-KVI, which maintains ultimate responsibility with regards to decision making.

Complaints are investigated by the IBR-IRE under the supervision of the CRME-KVI who takes the final decision.

### **Disciplinary measures and sanctions**

The IBR-IRE shares responsibility for investigating and disciplining IBR-IRE members with the CRME-KVI and the ACCOM. The disciplinary authorities hear and judge the cases brought to them. There are no distinctions between PIEs and non-PIEs.

### **EXPECTED CHANGES - EU AUDIT REFORM**

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system is yet to be seen in Belgium. The main changes anticipated relate to the quality assurance system. There is awareness that the system of quality assurance for PIE audits will need to be modified.

# Bulgaria

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight body</b>	<b>Commission for Public Oversight of Statutory Auditors (CPOSA)</b> Комисия за публичен надзор над регистрираните одитори (КПНРО)
<b>Website</b>	<a href="http://www.cposa.bg">www.cposa.bg</a>
<b>Professional bodies</b>	<b>Institute of Certified Public Accountants of Bulgaria (ICPA)</b> ИНСТИТУТ НА ДИПЛОМИРАНИТЕ ЕКСПЕРТ-СЧЕТОВОДИТЕЛИ В БЪЛГАРИЯ (ИДЕС)

### Composition

The Board of the CPOSA is composed of 5 members, including the Chairman who is elected by the National Assembly of the Republic of Bulgaria. The remaining four members are each nominated by:

- The Minister of Finance;
- The Bulgarian National Bank;
- The Financial Supervision Commission; and
- The Institute of Certified Public Accountants of Bulgaria (ICPA).

### Funding

The CPOSA is financed through direct state budgetary funding.

### Transparency

The CPOSA prepares and presents annual report on its activities to the National Assembly of the Republic of Bulgaria, no later than 30 May of the following year. This [report](#) is also published on the website of the CPOSA at along with the following information:

- The annual report, as presented to the National Assembly of the Republic of Bulgaria;
- The work programme and results of its activities;
- The individual firm quality review results and other inspection results; and
- Decisions on sanctions.



## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>	Ethical standards: CPOSA	
	Audit and Accounting standards: ICPA	
<b>Quality assurance system</b>	ICPA	CPOSA
	A representative of ICPA usually participates in the process	
<b>Disciplinary measures and sanctions</b>	ICPA	CPOSA
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

The scope of activities of the CPOSA is as follows:

- Approval and registration of statutory auditors and audit firms and continuous education, including auditors and audit firms from other Member States and from third countries;
- **Standard setting and endorsement of standards** for professional ethics, and internal quality control for audit firms;
- **Oversight of the quality assurance system** by affirming the rules and the procedures for carrying out quality control reviews over the activities of the statutory auditors. It determines the annual plan for carrying out review activities, and by whom these activities should be carried out. The CPOSA reserves the right to request additional reviews in instances where the initial review was conducted by the bodies of the ICPA<sup>2</sup> and these are deemed to be unsatisfactory. The CPOSA performs quality assurance reviews of all audit firms and auditors who conduct audits of PIEs; and
- **Disciplinary measures and sanctions** can be imposed by the CPOSA according to the law. Under the current legislation both the CPOSA and the ICPA have rights for disciplinary measures and sanctions. CPOSA is focused mainly on auditors' issues related to PIEs.

### Advisory committee

There is no Advisory Committee in place at the moment. A working group has been set up by the IDES, as setting up an Advisory Committee is being considered by the CPOSA.

### Delegation to professional bodies

#### Standard setting and endorsement of standards

By law, the CPOSA is responsible for oversight over adoption and observance of standards for professional ethics, internal quality control of the audit firms, and for audit execution.

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<sup>2</sup> The ICPA's bodies are: General Assembly, Managing Board, Supervisory Council, Professional Ethics Council, Audit Services Quality Control Council, and Disciplinary Council.

### **Quality assurance/ reviews and inspections**

The quality assurance review for statutory audits for non-PIEs is delegated to the ICPA. In the case of quality assurance reviews for PIEs, a representative of the ICPA participates as part of the team. As the CPOSA affirms the rules and annual activities in relation to quality reviews, there are no differences in the review approach for PIEs and non-PIEs.

### **Disciplinary measures and sanctions**

Investigations arising from quality assurance systems, and disciplinary measures and sanctions for audits and other engagements of non-PIE entities are delegated to the ICPA.

## **EXPECTED CHANGES - EU AUDIT REFORM**

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system is as follows:

- **Scope of activities:** there is a possibility of greater involvement of CPOSA in the development of the quality assurance review system, and qualification exams for the registration of statutory auditors; and
- **Transparency:** there is a possibility that voting by the CPOSA Board to be made publicly available.

# Cyprus

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Cyprus Public Audit Oversight Board (CPAOB)</b> Επιτροπή Δημόσιας Εποπτείας Ελεγκτικού Επαγγέλματος (ΕΔΕΕΛΕπ)
<b>Website</b>	<a href="http://www.cypaob.gov.cy/mof/ede/ede.nsf/index_gr/index_gr?opendocument">http://www.cypaob.gov.cy/mof/ede/ede.nsf/index_gr/index_gr?opendocument</a>
<b>Professional bodies</b>	<b>Institute of Certified Public Accountants of Cyprus (ICPAC)</b> Σύνδεσμος Εγκεκριμένων Λογιστών Κύπρου (ΣΕΛΚ)

### Composition

The CPAOB consists of the Chair, the Vice-Chair and three members, who are currently non-practitioners even though the relevant national law allows for a minority of practitioners.

The Chair and Vice-Chair of the CPAOB are respectively the Accountant General and the Deputy Accountant General of the Republic of Cyprus at any point in time. The remaining three members of the board are selected by the Council of Ministers for a term of five years to be renewed only once.

### Funding

National law provides that the public oversight body shall be adequately funded with a grant from the government budget.

### Transparency

Information on the CPAOB's work programme, individual firm quality review results, or decisions on disciplinary measures and sanctions is not publicly available at present.

### Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>		CPAOB (Advice of ICPAC sought)
<b>Quality assurance system</b>		ICPAC
<b>Disciplinary measures and sanctions</b>		ICPAC

*\*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.*

### Scope of Activities

National law provides that the CPAOB shall have the ultimate responsibility for the oversight of:

- Approval and registration of statutory auditors and audit firms and continuous education;

- **Standard setting, and endorsement of standards** on professional ethics, auditing, and internal quality control of statutory audit firms; and
- **Quality assurance system and investigative and disciplinary system.**

## Delegation to Professional Bodies

### Standard setting and endorsement of standards

International Financial Reporting Standards (IFRSs) as adopted by the EU and International Standards of Auditing (ISAs) are mandatory by law for all entities. The views of the ICPAC are sought as and when the need arises, for the purposes of the IFRS EU adoption.

### Quality assurance/ reviews and inspections

Quality assurance reviews and inspections to this date are carried out by the ICPAC. The ICPAC cooperates closely and shares information about its quality assurance system with the CPAOB.

The main distinction between PIEs and non-PIEs relates to the frequency of review: a maximum review cycle of three years for firms auditing PIEs, while for other firms the maximum review cycle is six years.

### Disciplinary measures and sanctions

Disciplinary measures and sanctions to this date are implemented by ICPAC. The ICPAC cooperates closely and shares information about disciplinary cases and sanctions with the CPAOB.

There is no distinction between disciplinary measures and sanctions for different types of entities. The disciplinary procedures of the ICPAC are followed for each case, which is considered in its own merit. The ICPAC cooperates closely and shares information about disciplinary cases and sanctions with the CPAOB.

## Advisory Committee

No advisory committee of practitioners and experts has been put in place to date. There is no indication whether one is in the process of being considered to be formed by the CPAOB.

## EXPECTED CHANGES - EU AUDIT REFORM

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system is as follows:

- **Scope of activities:** the CPAOB will have to carry out at least the quality assurance reviews of firms auditing PIEs;
- **Delegation:** the quality assurance reviews for firms other than those auditing PIEs is expected to be delegated; and
- **Funding:** changes are expected, however no confirmed or clear position is available at present. It is expected that the CPAOB will, in the future, be financed by dues levied on the profession.

## Estonia

### CURRENT STATE OF AFFAIRS

#### Organisation of Public Oversight

The Supervisory Board of Public Accountants is established by the Ministry of Finance. At the moment, it does not have its own website but is hosted on the Ministry of Finance website.

<b>National public oversight body</b>	<b>Supervisory Board of Public Accountants (SBPA)</b> Järelevalvenõukogu
<b>Website</b>	<a href="https://www.auditortegevus.ee/lr1/web/guest/jarelevalvenoukogu">https://www.auditortegevus.ee/lr1/web/guest/jarelevalvenoukogu</a>
<b>Professional bodies</b>	<b>Estonian Auditors Association (EAA)</b> Audiitorkogu

#### Composition

The Board of the SBPA is composed of seven to nine members. At present, the Board is composed of seven members who are appointed by the Minister of Finance, after proposals by:

- The Financial Supervision Authority (one non-practitioner member);
- The National Audit Office (one non-practitioner member);
- The Ministry of Justice (one non-practitioner member);
- The EAA (two practitioners' members); and
- The Ministry of Finance (two non-practitioners' members).

#### Funding

The SBPA is financed through direct state budgetary funding. As an indication of the funding available to SBPA, in the period 01 July 2013 – 30 June 2014 the allocation from the state budget was approximately EUR 100,000.

#### Transparency

The SBPA prepares and presents an annual report, which is made publicly available and provides an overview on:

- The members, competences and functions of the SBPA;
- The work programme and results of its activities;
- The state of play in the audit market in Estonia; and
- The details on the organisation of professional examinations.

Individual firm quality control results and other inspection results are made publicly available. A grading system applies whereby the following distinctions are made: green indicates excellent quality; yellow denotes satisfactory quality but small improvements are required; and red denotes poor quality with significant improvements needed.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>		Proposed by EAA
		Approved by SBPA
<b>Quality assurance system</b>		EAA
<b>Disciplinary measures and sanctions</b>		EAA
		SBPA makes proposals and approves
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

The scope of activities of the SBPA is as follows:

- Approval and registration of statutory auditors and audit firms and continuous education, including auditors and audit firms from other Member States and from third countries. The Board also appoints, and reserves the right to remove the members and chairman of the examination board. The SBPA also establishes the conditions and amount of membership fees paid by the members of the EAA and the rate of the license fee of statutory auditors;
- **Endorsement of standards and their interpretation;**
- **Oversight over the quality assurance system and disciplinary proceedings** and approval of decisions of the EAA on quality assurance reviews, disciplinary proceedings and sanctions. The SBPA also makes proposals to the EEA, and also approves proposals put forward by the EAA;
- **Exercise of supervision over the activities of the EA** whereby it can request the removal of a member of the Management Board or the Revision Committee if these bodies fail to perform the functions arising from law or the statutes of the EAA, or if the functions are not deemed to be performed with due diligence; and

### Advisory Committee

There is no Advisory Committee in place at the moment. It is unclear whether one will be put in place in a foreseeable future.

### Delegation to Professional Bodies

#### Standard setting and endorsement of standards

The standard setting process is delegated to the Management Board of the EAA, and the SBPA approves and endorses standards, and interpretations thereof. There is no distinction in the adoption of standards for PIEs and non-PIEs.

#### Quality assurance/ reviews and inspections

The quality assurance system is delegated to the Management Board of the EAA, which carries out quality assurance reviews for both PIEs and non-PIEs, pursuant to the procedure approved and overseen by the SBPA.

### **Disciplinary measures and sanctions**

Disciplinary measures and sanctions are delegated to the Management Board of the EAA. It conducts disciplinary proceedings, processes complaints received with respect to members of the EAA and conducts an investigation pursuant to the procedure approved by the SBPA. There is no distinction between PIE and non-PIE auditors in terms of disciplinary measures and sanctions.

### **EXPECTED CHANGES - EU AUDIT REFORM**

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system is unclear at the moment. Decisions on the organisation of the public oversight system are expected to be concluded during 2015. There is awareness that the system of quality assurance for PIE audits will need to be adapted. It is unlikely that Estonia will use the options to delegate the quality assurance system, sanctions and measures for non-PIEs

## Finland

It should be noted that the Finnish Parliament approved a new auditing law in March 2015. The new auditing law will be effective as of January 1, 2016. Changes are expected subsequent to this date following the transposition and implementation of the EU audit reform. The information herein is based on the new supervisory system, as prescribed by the new law.

### Organisation of Public Oversight

There is no official translation from Finnish of the newly established Tilintarkastusvalvonta. For the purpose of this report, the term “Public Oversight Body” (POB) will be used. The Finnish POB falls under the remit of the Finnish Patent and Registration Office (Patentti- ja rekisterihallitus). The POB does not have its own website yet.

<b>National public oversight bodies</b>	<i>January 2016 onwards</i> <b>Public Oversight Body (POB)</b> Tilintarkastusvalvonta  <i>Present- 31 December 2015</i> <b>Auditing Board (AB3C)</b> Tilintarkastuslautaunta
<b>Website</b>	<a href="https://www.prh.fi/en/index.html">https://www.prh.fi/en/index.html</a> <a href="http://tilintarkastuslautakunta.fi/en/">http://tilintarkastuslautakunta.fi/en/</a>
<b>Professional bodies</b>	<b>Finnish Association of Auditors (FAA)</b> Suomen Tilintarkastajat ry  <b>Association of Public Sector Auditors</b> Julkishallinnon ja -talouden tilintarkastajat ry

### Composition

The Auditing Board of the POB is composed of seven to ten members, including the Chair and Vice-Chair who are appointed by the Ministry of Employment and the Economy. There are some criteria for the composition of the Board and these are:

- At least 2 of the members need to have completed a Finnish Master of Law degree; and
- All members need to have a good understanding of audit.

Members of the Auditing Board cannot be:

- Statutory auditors who are currently in practice;
- A partner in an audit firm or equivalent position;
- A board member or equivalent at an audit firm; or
- A person who is otherwise employed by an audit firm.

There is a three-year cooling-off period after their duties are fulfilled for the majority of the members of the Auditing Board.



## Funding

The oversight system is funded through mandatory fees collected from registered auditors. It is estimated that EUR 2,400,000 will be collected every year in fees for the purpose of funding the POB.

## Transparency

The POB is to make publically available on its website an annual report which includes the results of its activities, its work programme, and decisions in relation to sanctions imposed. Individual firm quality review results will not be published, and disciplinary measures and sanctions will not be published on a named basis.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>	POB responsible for best practice Performed by FAA	
<b>Quality assurance system</b>	Peer review	POB
<b>Disciplinary measures and sanctions</b>	POB	POB and Financial Supervisory Authority (FSA)
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

## Scope of Activities

The scope of activities of the POB is as follows:

- Approval and registration of statutory auditors and audit firms and continuous education;
- **Oversight of the quality assurance system:** the POB is in charge of reviews for audits of PIE and non-PIE entities. PIE reviews are carried out by the staff of the POB. The POB uses experts to perform the quality assurance reviews for audits of non-PIEs, which is in the form of peer review. Also in these cases, the POB is ultimately responsible for the reviews; and
- **Disciplinary measures and sanctions** are carried out by the auditing board of the POB.

## Delegation to Professional Bodies

### Standard setting and endorsement of standards

As per the new audit law, the POB is responsible for providing guidance on best practice and audit standards. This task has not been formally delegated to any other body, however, in practice the POB is unlikely to set any standards and this activity is likely to be performed by the FAA.

### Quality assurance/ reviews and inspections

This task is not delegated.

### Disciplinary measures and sanctions

Investigations are performed by POB officials, and independent decision making in relation to disciplinary measures is done by the Auditing Board of the POB. The FSA has an independent right to investigate auditor's work when it relates to a company which the FSA supervises. Also in these

cases it is the auditing board of the POB which makes the decision on disciplinary measures and sanctions.

### **Advisory Committee**

In accordance with the auditing law, there will be two auditors as permanent specialists in the Auditing Board of the POB. The role of the auditors is limited to an advisory capacity and no involvement in the decision making is allowed. Further to this, in accordance with the new auditing law the POB can establish an advisory committee; however it is uncertain whether an advisory committee will be set up, and if so, what would be the nature of this.

### **EXPECTED CHANGES - EU AUDIT REFORM**

The information set out above is as per the upcoming changes, which will come to effect on January 1, 2016. Some changes might take place subsequent to this date, and after as there is a Working Group set-up by the Ministry of Employment and Economy which is preparing the transposition and implementation of the EU audit reform. Any subsequent changes are more likely to impact sanctions, as the reforms required concerning auditors' oversight, approval, qualifications and examinations have already been incorporated. The new auditing law which will be effective as of January 1, 2016 does not include all the administrative measures and sanctions that the competent authority should have in accordance with the EU audit reform.

## France

### CURRENT STATE OF AFFAIRS

#### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>High Council for Statutory Audit</b> Haut Conseil du Commissariat aux Comptes ( <b>H3C</b> )
<b>Website</b>	<a href="http://www.h3c.org/accueil.htm">http://www.h3c.org/accueil.htm</a>
<b>Professional bodies</b>	<b>National Association of Statutory Auditors</b> Compagnie Nationale des Commissaires aux Comptes ( <b>CNCC</b> )  <b>Regional Association of Statutory Auditors</b> Compagnie Régionale des Commissaires aux Comptes ( <b>CRCC</b> )

#### Composition

The H3C Board is composed<sup>3</sup> of twelve members for a six-year term. The members of the Board are appointed by Government Decree, which is published in the Official Journal of the French Republic, and these are:

- Three magistrates, one from the Court of Auditors, one from the judiciary, and the Chairman who is a magistrate at the Court of Cassation;
- The Chairman of the Financial Markets Authority;
- A representative of the Ministry of Finance;
- One member of the academic community specialising in legal, financial or economic matters;
- Three statutory auditors; and
- Three individuals qualified in financial and economic matters, two with expertise in listed companies and one with experience in the SME sector.

#### Funding

The funding arrangements of the H3C, as well as the level of the dues, are set out by the Commercial Code which provides that fixed and proportional levies are to be collected from the audit profession.

The budget is set and adopted by the H3C Board on the basis of a proposal from the Secretary General. The level of the dues is provided by virtue of law and decree, and as an indication, the total amount of funding of H3C at the moment is approximately EUR 9,000,000. The H3C has been financially autonomous since 2009.

#### Transparency

The H3C issues an annual report which includes the results of activities, including inspections on an anonymous basis. The H3C also issues its work programme annually, along with a more detailed inspection programme. This information is made publicly available through the H3C website. There is no publication of individual firm quality reviews, and disciplinary measures and sanctions.

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<sup>3</sup> As set out in Article L. 821-3 of the Commercial Code

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>	Standards set out by the CNCC Endorsed by the Ministry of Finance, as advised by the H3C	
<b>Quality assurance system</b>	Compagnie National des Commissaires aux Comptes (CNCC)  Compagnie Régionale des Commissaires aux Comptes (CRCC)	H3C  CNCC for certain PIE reviews which are deemed not risky by the H3C
<b>Disciplinary measures and sanctions</b>	Regional disciplinary chambers  H3C for instances of appeal	
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

The role and responsibilities of the H3C over the audit profession are defined and set out by law and decree in the Code de commerce (Commercial Code). These are:

- Approval and registration of statutory auditors and audit firms, where H3C is the appellate authority for first-level decisions on registration for auditors and audit firms. The approval and registration of statutory auditors and audit firms is the responsibility of appeal courts.
- **Oversight of the quality assurance system** with the assistance of the CNCC and the CRCC, the national and regional professional bodies of auditors respectively. The H3C directly conducts inspections and reviews of statutory auditors and audit firms of PIEs, and these are performed by inspectors who are employed full-time by the H3C. The law provides that the Secretary General of the H3C may directly participate in inspections. The H3C Board assesses the results of all inspections and reviews conducted throughout the year for both PIE and non-PIE audits; and
- **Disciplinary measures and sanctions**, but only as an appeal function.

### Delegation to Professional Bodies

#### Standard setting and endorsement of standards

The CNCC sets out the standards, which are endorsed by the Ministry of Justice on the advice of the H3C. There is no distinction between standards set for PIEs and non-PIEs.

#### Quality assurance/ reviews and inspections – covered in Section 1

Certain inspections of non-risky PIE audit firms and areas may be carried out by the CNCC on behalf and under the close supervision of the H3C. Inspections of statutory auditors and audit firms of non-PIEs are carried out by the CNCC and the CRCC under the supervision of the H3C.

#### Disciplinary measures and sanctions

Discipline is outside the remit of the CNCC, CRCC and H3C, as this is delegated to regional disciplinary chambers. The H3C is the competent body in instances of appeal of a decision taken by regional disciplinary chambers. There is no distinction between auditors of PIEs and non-PIEs.

## Advisory Committee

Not applicable.

## EXPECTED CHANGES - EU AUDIT REFORM

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system is as follows:

- **Nomination process for members of the supervisory body and its composition:** statutory auditors will no longer be members of the H3C. No change is expected regarding the nomination process.
- **Scope of activities, funding, and transparency** of the H3C are still under discussion. It is unclear what changes might take place.

## Germany

### CURRENT STATE OF AFFAIRS

#### Organisation of Public Oversight

<b>National public oversight body</b>	<b>Auditor Oversight Commission</b> Abschlussprüferaufsichtskommission ( <b>APAK</b> )
<b>Website</b>	<a href="http://www.apak-aoc.de/index.php/en/">http://www.apak-aoc.de/index.php/en/</a>
<b>Professional bodies</b>	<b>Institute of Public Auditors</b> Institut der Wirtschaftsprüfer ( <b>IDW</b> )  <b>Chamber of Public Auditors</b> Wirtschaftsprüferkammer ( <b>WPK</b> )

#### Composition

The APAK is composed of ten honorary members, the Commissioners, who were appointed by the Federal Ministry of Economic Affairs and Energy (BMWI). Practitioners may not be appointed as Commissioners, and there is a cooling off period of five years for any German public auditor prior to appointment to the APAK.

#### Funding

The APAK is financed entirely by mandatory dues levied on the profession. Audit firms and auditors of PIE entities have an additional levy based on the number of PIE audit clients and total fees therefrom. This additional levy stems from the fact that auditors of PIE entities are subject to a special inspection programme. The total funding for the APAK in 2015 amounts to EUR 6,305,000.

#### Transparency

The APAK makes publically available through its website, its annual report with information on its work programme and results of its activities. Individual firm inspection results and decisions on sanctions are not publically available. However the PCAOB publishes results of joint inspections of German auditors performed together with the APAK.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>		Ethical standards <sup>4</sup> : WPK Auditing standards <sup>5</sup> : IDW
<b>Quality assurance system<sup>6</sup></b>		WPK
<b>Disciplinary measures and sanctions</b>	No distinction made on PIE or non-PIE Violations: WPK Severe violations: Public prosecutor/ Judicial system	
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

A diagram which can be found at the following [link](#) outlines the system of auditor oversight in Germany. The objectives and remits of APAK can be found [here](#).

The remit of the oversight activities of the APAK is as follows:

- **Approval and registration of statutory auditors and audit firms and continuous education**, Including professional examinations and aptitude tests for auditors and audit firms from other Member States and from third countries. The APAK reserves the right to revoke licenses and registration;
- **Endorsement of standards** for professional ethics, and internal quality control for audit firms- these are reviewed by the APAK and any comments arising from their review are presented to the BMWI. It should be noted that the APAK does not have direct responsibility for the endorsement of standards;
- **Oversight of the quality assurance system by** determining the annual plan for carrying out inspection activities. The inspections are carried out by the Wirtschaftsprüferkammer (WPK), which also performs an assessment of the findings. The APAK reserves ultimate responsibility over the assessment conducted by WPK and might refer decisions back to WPK for reconsideration or revoke decisions altogether;
- **Maintains oversight of disciplinary measures and sanctions which relate to violations** can be imposed by the WPK, under the oversight of APAK, in instances of violations. For severe violations a judicial process is followed which is explained below. It should be noted that there is no distinction between the bodies responsible for sanctions imposed for auditors and audit firms of PIEs and non-PIEs; the only determining factor is the severity of the violation; and
- Exercises supervision over the activities of the WPK, and cooperates with respective oversight authorities of the European Union, oversight bodies in Members States and third countries.

<sup>4</sup> Within the remit of the APAK as per the 2006 SAD; delegated to the WPK

<sup>5</sup> Pending adoption of the ISAs by the EU Commission, auditing standards are developed by the IDW.

<sup>6</sup> Auditors of PIE entities are subject to a separate inspection programme.

## Delegation to Professional Bodies

### Standard setting and endorsement of standards

In Germany some aspects of standard setting and endorsement are already covered directly by law, and thus fall under the remit of the Federal Ministry for Economic Affairs and Energy. Auditing Standards are developed and promulgated by the IDW. The IDW transposes the ISAs in developing German auditing standards.

To the extent that standards relating to quality assurance and professional conduct, including ethics, fall within the remit of the APAK, this task is delegated to the WPK which is also responsible for the adoption of these standards.

### Quality assurance/ reviews and inspections

All quality assurance reviews are delegated to the WPK with the APAK retaining overall responsibility. However, PIE auditors are subject to an independent inspections programme.

### Disciplinary measures and sanctions

The system of disciplinary measures and sanctions in Germany is illustrated by a diagram which can be found at the following [link](#). There are no distinctions on a PIE or non-PIE basis at the moment, but rather on the severity of individual cases and potential violations.

Violations of professional rules, other than severe violations, are investigated and disciplinary measures and sanctions can be imposed by the WPK. For severe violations a judicial process is followed by special divisions of criminal courts.

## Advisory Committee

There is no Advisory Committee in place at the moment.

## EXPECTED CHANGES - EU AUDIT REFORM

Indications of the extent to which the audit oversight system is expected to change is based on pre-governmental draft legislation issued by the German Federal Ministry of Economy and Energy in May 2015. The draft is still under scrutiny by the German government. An overview of the changes, as per the draft legislation is as follows:

- **Scope of activities:**
  - Certain administrative tasks would have to be performed by an authority independent from the profession. These administrative tasks, primarily concerning inspections, and inspection-related sanctions, would no longer be performed by APAK but would be transferred to a federal authority equipped with its own staff, who are to be distinct from the personnel of WPK;
  - The federal authority would be responsible for the preventive oversight of the profession, and it would perform inspections of auditors and audit firms of PIE entities, as well as carry out investigations. These tasks may not be delegated to WPK;
  - Quality assurance reviews for non-PIEs currently undertaken by the WPK, and by peer-review, would be maintained but adapted to the requirements of the EU Regulation; the current system whereby a certificate of participation is issued will be replaced by a notification procedure.
  - All violations of professional rules would be investigated and sanctioned by the WPK. The draft establishes a list of disciplinary measures and sanctions and includes rules with regards to their disclosure;



- Disciplinary measures and sanctions could also be imposed on audit firms, members of supervisory boards and boards of directors;
- The remit of the WPK would be extended to sanctioning severe violations of professional rules, and ultimate responsibility would rest with the federal oversight authority. The relevant court would review all sanctions imposed in relation to severe violations.
- EU audit firms would be authorised to carry out statutory audits in Germany provided the key audit partner is registered as a German public auditor (Wirtschaftsprüfer).

# Hungary

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Auditors' Public Oversight Authority</b> Könyvvizsgálói Közfelügyeleti Hatóság ( <b>KKH</b> )
<b>Website</b>	<a href="http://ngmszakmaiteruletek.kormany.hu/konyvvizsgaloi-kozfelugyeleti-hatosag">http://ngmszakmaiteruletek.kormany.hu/konyvvizsgaloi-kozfelugyeleti-hatosag</a>
<b>Professional bodies</b>	<b>Hungarian Chamber of Auditors</b> Magyar Könyvvizsgálói Kamara ( <b>MKVK</b> )

### Composition

Since 1st July 2013, the Minister of National Economy, which is also responsible for accounting regulation, is tasked by the Government as responsible for the functions related to the public oversight of the audit profession. These functions are carried out by the KKH, within the Accounting and Oversight Department of the Ministry of Economy. The carrying out of the activities relating to oversight is performed by the Accounting and Oversight Authority within the Ministry of Economy.

### Funding

The activities of the KKH are financed through direct state budgetary funding, as well as a public oversight fee which is levied on the MKVK. The fee levied on the MKVK is 5% of its membership fees and contribution payments for each year.

### Transparency

The KKH prepares and presents an annual report, its work programme and results of its overall activities, including disciplinary measures and sanctions. Individual firm results are not presented, and in general, typical and severe faults and deficiencies are included without names.

### Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>		MKVK
<b>Quality assurance system</b>	MKVK	KKH
<b>Disciplinary measures and sanctions</b>		MKVK Initiated by the KKH

*\*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.*

### Scope of Activities

The scope of activities of the KKH is as follows:

- **Oversight of approval and registration of statutory auditors and audit firms, and continuous education:** the register is maintained by the MKVK; however, the KKH monitors the procedures followed by the MKVK for granting authorizations to carry out statutory audits.
- **Oversight of the quality assurance system,** where the KKH conducts quality assurance reviews every three years of registered statutory auditors and audit firms which are engaged in the statutory audits of PIEs.
- **Disciplinary measures and sanctions,** where proceedings are initiated by the KKH, and carried out by the MKVK. The KKH can also initiate judicial proceedings for severe violations with ministerial oversight, if such violations relate to the operation of the MKVK.

## Delegation to Professional Bodies

### Standard setting and endorsement of standards

The MKVK is responsible for the setting and endorsement of standards. There is no distinction between PIEs and non-PIEs.

### Quality assurance/ reviews and inspections

The quality review of non-PIE auditors and audit firms is performed by the MKVK.

### Disciplinary measures and sanctions

Disciplinary measures and sanctions are delegated to the MKVK. There are no distinctions between PIE and non-PIE auditors and audit firms.

## Advisory Committee

No advisory committee has been formed.

## EXPECTED CHANGES - EU AUDIT REFORM

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system is as follows:

- **Scope of activities:** disciplinary measures and sanctions are expected to be performed by the KKH in the future, and will no longer be delegated to the MKVK.

# Ireland

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Irish Auditing and Accounting Supervisory Authority (IAASA)</b>
<b>Website</b>	<a href="http://www.iaasa.ie">www.iaasa.ie</a>
<b>Professional bodies</b>	<b>Recognised Accountancy Bodies (RACs)<sup>7</sup></b> Institute of Chartered Accountants in England and Wales (ICAEW) Chartered Accountants Ireland (ICAI) Association of Chartered Certified Accountants (ACCA) Institute of Chartered Accountants of Scotland (ICAS) Institute of Certified Public Accountants (CPA) Institute of Incorporated Public Accountants (IIPA)

### Composition

The Board of the Irish Auditing & Accounting Supervisory Authority (IAASA) is composed of 8 members, including the Chief Executive of the IAASA. The members are nominated by the following state agencies:

- Director of Corporate Enforcement;
- Central Bank;
- Irish Stock Exchange; and
- Revenue Commissioners, Irish Tax and Customs.

In addition to the representatives of the above state agencies, two members of the Board are nominated by the professional accountancy bodies<sup>8</sup> (as listed above), and a maximum of three members of the Board can also be members of accounting professional bodies at any given moment.

2014 EU audit reforms not yet reflected in Irish law; currently no distinction made between practitioners/non-practitioners.

### Funding

The IAASA is financed at 60% by mandatory dues levied on the relevant professional bodies, and the remaining 40% is funded by the government. In addition to the six professional bodies listed above, three further bodies<sup>9</sup> are recognised under the Irish Companies Act; CIPFA, CIMA, and AIA. The 60% contribution levied on the professional bodies is allocated among the nine bodies based on the number of members they have based in Ireland.

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<sup>7</sup> These are the professional bodies which are approved by the Irish Company Act, and monitored by the IAASA, as responsible for authorising its members and/ or member firms to perform audits.

<sup>8</sup> A majority of the member bodies must agree on the nominations.

<sup>9</sup> None of these three bodies can licence their members to conduct audits.

## Transparency

The IAASA issues an annual report which includes an overview of the IAASA activities in monitoring the professional accountancy bodies. Quality assurance review results are not published by the IAASA as this is not an activity carried out by the oversight body. Disciplinary measures and sanctions are not published by the IAASA in their annual report, but by the professional bodies individually.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>	IAASA adopts standards issued by the UK Financial Reporting Council	
<b>Quality assurance system</b>	RACs	
<b>Disciplinary measures and sanctions</b>	RACs	
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

As the 2014 EU audit reform has not been transposed yet, the IAASA's functions remain primarily to supervise how professional bodies regulate, and supervise their members. This includes the approval of regulatory changes by those bodies and inspection of those bodies' processes and procedures. The IAASA currently has no role in the quality assurance review system, the disciplinary system, or the standard setting process.

## Delegation to Professional Bodies

### Standard setting and endorsement of standards

Standards issued by the UK FRC are adopted by the IAASA which has observer status at certain FRC councils. No endorsement process is followed.

### Quality assurance/ reviews and inspections

The quality assurance reviews are conducted by the RACs. There is no distinction between PIEs and non-PIEs.

### Disciplinary measures and sanctions

Disciplinary measures and sanctions, and the investigation thereof, fall under the remit of professional bodies (as listed above). There is no distinction between PIEs and non-PIEs.

## Advisory Committee

No information on this at present.

## EXPECTED CHANGES - EU AUDIT REFORM

It is unclear at the moment to what extent the organisation of public oversight will be impacted by the 2014 EU audit reform, except for transparency of work: a move towards the publication of quality assurance review findings is expected to take place. There is also awareness that the system of quality assurance for PIE audits will need to be adapted.

# Italy

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Audit of Non-PIEs</b>  <b>General Accounting Office of the State</b> Ragioneria Generale dello Stato ( <b>RGS</b> )  <b>Audit of PIEs</b>  <b>Italian Securities and Exchange Commission</b> Commissione Nazionale per le Società e la Borsa ( <b>CONSOB</b> )
<b>Website</b>	<a href="http://www.consob.it">www.consob.it</a>  <a href="http://www.revisionelegale.mef.gov.it/opencms/opencms/Revisione-legale">www.revisionelegale.mef.gov.it/opencms/opencms/Revisione-legale</a>
<b>Professional bodies</b>	<b>Italian Association of Auditors</b> Associazione Italiana Revisori Contabili ( <b>ASSIREVI</b> )  <b>National Council of Chartered Accountants</b> Consiglio Nazionale Dottori Commercialisti ed Esperti Contabili ( <b>CNDCEC</b> )  <b>National Institute of Statutory Auditors</b> Istituto Nazionale dei Revisori Legali ( <b>INRL</b> )

#### Composition

The RGS is a government department which is part of the Ministry of Economy and Finance (MEF). This department is responsible for the consistency and reliability of national accounts, for the assessment and the analysis of public expenditure trends. RGS also has a mandate which relates to statutory audit and is composed of civil servants. No practitioners are involved in its activities with the exception of an advisory committee which is described in a dedicated section below.

The CONSOB is an independent administrative authority and it's governed by a Board which consists of 3 members, including a Chairman. They are appointed by a Decree of the President of the Republic acting on a proposal submitted by the Prime Minister and approved by the Council of Ministers. The CONSOB is responsible for the regulation and supervision of the Italian securities markets. No practitioners are involved in the composition of the Board.

#### Funding

The activities of the RGS related to public oversight of auditors are funded through contributions of statutory auditors and audit firms who are entered in the Register which the RGS maintains. The entry in the Register gives auditors the right to use the title of statutory auditor.

The CONSOB is funded through an allocation from the central government budget, and through fees collected directly from markets, market participants and supervised entities, including audit firms.

## Transparency

Both the MEF and CONSOB publish an annual report, which is available on their respective websites, which included information on their supervisory activities, the overall results of the quality control reviews conducted. Disciplinary measures and sanctions imposed are disclosed anonymously.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards<sup>10</sup></b>	Audit, Ethics, and Independence standards <sup>11</sup> : RGS/ CONSOB/ Standard Setting Committee (SSC)/MEF	
<b>Quality assurance system</b>	RGS	CONSOB
<b>Disciplinary measures and sanctions</b>	RGS	CONSOB

*\*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.*

### Scope of Activities

The scope of activities of the RGS is as follows:

- Approval and registration of statutory auditors and continuous education, including the conduct of the traineeship;
- **Standard setting and endorsement of standards** for auditing, ethics and independence which are drafted by the Standard Setting Committee (SSC). Please see below for delegation relating to standards. The SSC is composed of representatives of:
  - ASSIREVI;
  - CNDCEC;
  - INRL.
- **Quality assurance** for audits of non-PIEs, and compliance with the provisions of the law by the statutory auditors and audit firms of non-PIEs.
- **Disciplinary measures and sanctions** for non-PIE auditors.

The CONSOB supervises the organization and activity of the statutory auditors and audit firms of PIEs in order to monitor their independence and technical competence. The CONSOB also carries out the **quality reviews** for the audits of PIEs, carry out the inspections and impose the **disciplinary measures and sanctions**.

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<sup>10</sup> Except for slight difference described below, statutory audit is performed in compliance with standards developed by professional bodies and associations which have subscribed a special convention with the MEF (ASSIREVI, CNDCEC, and INRL). Responsible for the endorsement of standards are the CONSOB and the MEF. The meetings of standard setters are attended by all the parties mentioned above (ASSIREVI, CNDCEC, INRL, CONSOB, MEF).

<sup>11</sup> Some requirements on independence are applicable only to PIEs. The CONSOB is delegated to establish by regulation the situations that may compromise the independence of the statutory auditor, audit firms and the responsible auditor of a PIE, and relevant safeguards and measures. Therefore independence standards drawn up by SSC not apply to the audit of PIEs, and shall apply to statutory auditors of PIEs to the extent compatible with the special rules drawn up by CONSOB.

## Delegation to Professional Bodies

### Standard setting and endorsement of standards

There is a slightly different process for each type of standard which is described below:

- **Auditing standards:** The SSC and the CONSOB draft the standards that are then formally adopted through a decision of the MEF and a formal resolution of CONSOB.
- **Ethical standards:** The SSC drafts the standards that are then approved by MEF and the Ministry of Justice, after consulting with the CONSOB.
- **Independence standards:** The SSC drafts the standards that are then approved by the MEF, after consulting with the CONSOB. The CONSOB shall establish by regulation the situations that may compromise the independence of the statutory auditor, of audit firms and of the auditor responsible for the audit of a PIE, and the measures to be taken to remove such situations.

### Quality assurance/ reviews and inspections

The delegation of performance of duties related to quality assurance reviews and inspections is allowed by legislative decree; however, to date no delegation has taken place for either the audits of PIEs or non-PIEs.

The RGS may use, on a contractual basis, public or private companies for the performance of duties which relate to conducting quality control reviews, and investigations of non-PIE auditors and audit firms.

For audits of PIEs, the same legislative decree, foresees that CONSOB may delegate tasks related to the implementation of quality control reviews to another entity, keeping the following responsibilities:

- Oversight and approval of work programme and methodology of quality control reviews;
- Oversight and approval of reports containing a description of the results of the review;
- Oversight and approval of the designation of those responsible for quality control reviews;
- Issuing of recommendations and instructions to the entity to which the tasks have been delegated.

### Disciplinary measures and sanctions

This task is not delegated for either the audits of PIEs and non-PIEs.

## Advisory Committee

The MEF has set up an advisory committee called Commissione Centrale per i Revisori Contabili (Central Commission for Statutory Auditors) by Ministerial Decree in September 2012. This is composed by seven members, of which two are practitioners appointed by the MEF and the remaining members are appointed as follows:

- One representative from the Ministry of Justice;
- One representative from the CONSOB;
- One representative from Banca d'Italia;
- Two representatives from the MEF.



The Central Commission for Statutory auditors has an advisory function, particular on maintaining the Register for trainee and statutory auditors, and audit firms, quality assurance, and the activities of the SSC.

### **EXPECTED CHANGES - EU AUDIT REFORM**

It is not clear what the changes to the oversight of the audit profession will be, in light of the fact that there has not been a draft proposal on the transposition and implementation of the EU audit reform.

# Lithuania

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>The Authority of Audit and Accounting</b> Audito ir apskaitos tarnyba (AAT)
<b>Website</b>	<a href="http://www.aat.lt/">http://www.aat.lt/</a>
<b>Professional bodies</b>	<b>Lithuanian Chamber of Auditors</b> Lietuvos auditorių rūmai (LAR)

### Composition

The AAT is governed by the Audit Oversight Committee (AOC). The AOC is a Board consisting of seven members who are appointed for a period of three years. More than half of its members are required to be practitioners. The following institutions each dedicate a member to the AOC:

- The Bank of Lithuania;
- The Ministry of Finance;
- The Ministry of Justice;
- The AAT; and
- The LAR.

### Funding

The AAT is financed by the government through the state budget.

### Transparency

The AAT prepares and presents an annual report on the quality review of auditors and audit firms, a strategic plan, an operational plan and a report on its overall activities. All reports are made publicly available on its website. The annual report includes overall results of the quality assurance reviews performed, and individual firm results are not presented. Information on disciplinary measures and sanctions is included on an anonymous basis. The annual report also includes information on audit firm transparency reports.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>	Business Accounting Standards (Lithuanian GAAP): AAT International standards: LAR	
<b>Quality assurance system</b>		LAR <sup>12</sup>
<b>Disciplinary measures and sanctions</b>	LAR and AAT	LAR and AAT
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

The scope of activities of the AAT is as follows:

- Approval and registration of statutory auditors and audit firms, and continuous education, where the AAT oversees the performance by the LAR, which is tasked with granting, suspending and withdrawing auditor registration, and organizing the auditors' exams. The AAT maintains oversight and can also mediate in resolving disputes relating to professional exams between prospective auditors and the LAR;
- **Standard setting and endorsement of standards** as the AAT issues Business Accounting Standards (Lithuanian GAAP) and their implementation guidance for non-PIEs;
- **Oversight of the quality assurance system** where the AAT conducts an investigation in instances of significant deficiencies being identified by the review performed by the LAR; and
- **Disciplinary measures and sanctions** which are imposed by the AAT after an assessment of the results of inspections and investigations by the AOC. This activity is performed jointly with the LAR.

### Delegation to Professional Bodies

#### Standard setting and endorsement of standards

This activity is delegated to the LAR, in so far as it relates to international quality control, and auditing standards. The Standards Translation Review Committee, within the LAR, is tasked with the translation of international standards which are then reviewed and adopted by the Audit Committee which is also part of the LAR. There are no distinctions between PIEs and non-PIEs.

#### Quality assurance/ reviews and inspections

Quality assurance reviews are delegated to the LAR. They are conducted by reviewers who are hired by LAR only for this purpose. There is no distinction between PIEs and non-PIEs.

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<sup>12</sup> A significant deficiency identified by the LAR would lead to an investigation by the AAT.

### **Disciplinary measures and sanctions**

This task is jointly conducted by the AAT and the LAR. Disciplinary measures and sanctions can be imposed by both the LAR and the AAT, often depending on severity with the more severe cases being handled by the AAT. There are no distinctions between PIEs and non-PIEs.

### **Advisory Committee**

The AOC is essentially considered to be an advisory committee as it does not make any formal decisions itself and its role is of an advisory nature. The decision making process rests with the Director of the AAT.

### **EXPECTED CHANGES - EU AUDIT REFORM**

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system mainly relates to certain activities being transferred from the LAR to the AAT, including:

- Quality assurance reviews for auditors and audit firms of PIEs. Non-PIE reviews are expected to remain delegated to the LAR; and
- Approval and registration of statutory auditors and audit firms.

# Luxembourg

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Financial Supervisory Commission</b> Commission de Surveillance du Secteur Financier ( <b>CSSF</b> )
<b>Website</b>	<a href="http://www.cssf.lu">www.cssf.lu</a>
<b>Professional bodies</b>	<b>Institute of Statutory Auditors</b> Institut des Réviseurs d'Entreprises ( <b>IRE</b> )

### Composition

The CSSF's governance structure consists of the Executive Board, the Directors and two consultative committees, one for prudential regulation and one for the audit profession. The Executive Board seeks the advice of the Consultative Committee for the Audit Profession (CCAP) with regards to laws or regulations which relate to statutory audits and the audit profession which are subject to the oversight of the CSSF. The CCAP consists of:

- The Minister of Justice or a representative;
- The Minister of Finance or a representative;
- The Executive Board of the CSSF considered as a college and counting as one member;
- A member of the executive board of the Commissariat aux Assurances designated by said executive board or a representative;
- Three members of the Institut des Réviseurs d'Entreprises (IRE);
- A member of the Association des Banques et Banquiers, Luxembourg (ABBL);
- A member of the Association Luxembourgeoise des Fonds d'Investissement (ALFI);
- A member of the Chamber of Commerce.

### Funding

The CSSF is financed by mandatory fees levied on the profession. Trainee statutory auditors and audit firms (including providers from Member States and third-countries) need to pay an annual fee depending on their classification as per Luxembourgish regulation.

Audit firms and statutory auditors also pay an additional fee depending on the number of statutory audit assignments and other tasks they undertake. Costs relating to the quality assurance system undertaken by the CSSF are charged to the statutory auditor or audit firm reviewed. Such costs include: travel costs, translation costs, monitoring of implementation of recommendations made after the quality assurance review.

### Transparency

The CSSF publishes an annual report which is made publicly available. The annual report includes overall results of the quality assurance reviews performed, and individual firm results are not presented. Information on disciplinary measures and sanctions is not included.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>	Consultative Committee of the CSSF Advised by the Audit Technical Committee (please see below)	
<b>Quality assurance system</b>	CSSF Assisted by the IRE or experts on request	
<b>Disciplinary measures and sanctions</b>	CSSF Assisted by the IRE or experts on request	
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

The scope of activities of the CSSF is as follows:

- Approval and registration of statutory auditors and audit firms, and continuous education including auditors and audit firms from other Member States and third countries. The CSSF is aided by the consultative commission (please refer to 'Advisory Committee' section);
- **Standard setting and endorsement of auditing standards**, professional ethics and those relating to the internal quality control of approved audit firms. The CSSF is advised by the Audit Technical Committee in carrying out this activity (please refer to 'Advisory Committee' section);
- **Oversight and establishment of the quality assurance system**, including the development of the inspection approach, and performing quality control inspections of licensed auditors and audit firms; and
- **Disciplinary measures and sanctions.**

### Delegation to Professional Bodies

#### Standard setting and endorsement of standards

This task is not delegated and there is no distinction between PIEs and non-PIEs.

#### Quality assurance/ reviews and inspections

This task is not delegated and there is no distinction between PIEs and non-PIEs.

#### Disciplinary measures and sanctions

This task is not delegated and there is no distinction between PIEs and non-PIEs.

### Advisory Committee

In addition to the Consultative Committee for the audit profession mentioned above, two other advisory committees have been created as follows:

- The **Audit Technical Committee (ATC)** that consists of four approved statutory auditors, which are appointed by the CSSF on proposal from the IRE, and four representatives of the CSSF. The role of the ATC is to advise the Consultative Committee on:

- Adoption of auditing standards not yet adopted by the European Commission or by the CSSF and assessment of the impact for the Luxembourg profession of international auditing standards adopted by the European Commission;
  - Adoption of standards relating to the internal quality control of audit firms, and standards of professional ethics;
  - Adoption of standards for all other engagements conferred upon the audit profession by law on an exclusive basis; and
  - Analysis of technical questions raised by the profession.
- The **Consultative Commission of the Audit Profession** that consists of two representatives from the CSSF, one representative of the Ministry of Justice, two representatives of the Ministry of Education and two representatives of the IRE. The role of the Consultative Commission is to verify the academic and professional qualifications of individuals wishing to enter the audit profession in Luxembourg, including individuals and audit firms from Member States and third countries.

### **EXPECTED CHANGES - EU AUDIT REFORM**

No changes are expected. The quality assurance reviews and the disciplinary measures and sanctions will remain with the CSSF.

# Malta

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Accountancy Board (AB)</b> <b>Quality Assurance Oversight Committee (QAOC)</b> <b>Quality Assurance Unit (QAU)</b>
<b>Website</b>	<a href="https://secure3.gov.mt/accountancyboard/">https://secure3.gov.mt/accountancyboard/</a>
<b>Professional bodies</b>	<b>The Malta Institute of Accountants (MIA)</b>

### Composition

The AB is the regulatory and oversight body of the accountancy and audit profession. The AB appoints the QAOC, which is mainly tasked with the oversight of the quality assurance system. In turn, the QAOC appoints the QAU, which acts as an agent of the QAOC in conducting quality assurance reviews for the profession. Oversight activities are therefore split between the AB, the QAOC and the QAU and have been outlined in the relevant section below.

The AB consists of the Chairman (non-practitioner) and ten other members:

- A non-practitioner nominated by the University of Malta from the field of accountancy;
- A senior official of the Ministry of Finance who is a non-practitioner;
- Two members nominated by a recognised accountancy body;
- Three members who are practicing accountants registered in Malta; and
- Three other individuals who are non-practitioners.

The QAOC consists of five individual members appointed by the AB for a period not exceeding three years.

### Funding

The AB is funded through the fees that are levied from registered auditors and audit firms, along with individuals and firms who hold a warrant from the AB allowing them to practice the profession of accountant.

### Transparency

The QAOC issues an annual report which includes the overall results of the quality assurance reviews performed. Individual firm results are not presented. Information on disciplinary measures and sanctions is included on an overall basis.



## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
Standard setting and endorsement of standards		AB
Quality assurance system	QAU and overseen by QAOC	
Disciplinary measures and sanctions		AB
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

The scope of activities of the AB is as follows:

- Approval and registration of statutory auditors and audit firms and continuous education, including auditors and audit firms from other Member States and third countries;
- **Standard setting and endorsement of standards;** and
- **Disciplinary measures and sanctions** through disciplinary committees for professional misconduct and other disciplinary proceedings. The AB can place restrictions and impose fines which do not exceed EUR 12,000 per statutory auditor or audit firm. There is no distinction between PIE and non-PIE auditors.

The QAOC is responsible for the **oversight of the quality assurance system** as instructed by the AB. The quality assurance activities are carried out by the QAU for both PIE and non-PIE auditors and audit firms.

### Delegation to Professional Bodies

There is no delegation to professional bodies.

### Advisory Committee

No advisory committee has been set up.

### EXPECTED CHANGES - EU AUDIT REFORM

It is unclear at the moment to what extent the organisation of public oversight will be impacted by the 2014 EU audit reform.

# The Netherlands

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Authority for Financial Markets</b> Autoriteit Financiële Markten ( <b>AFM</b> )
<b>Website</b>	<a href="http://www.afm.nl">www.afm.nl</a>
<b>Professional bodies</b>	<b>Netherlands Institute of Chartered Accountants</b> Nederlandse Beroepsorganisatie van Accountants ( <b>NBA</b> )

### Composition

The Executive Board of the AFM is composed of 3 members. All members have a full-time appointment to the AFM and need to fulfil the following criteria:

- Has not been responsible for conducting statutory audits for at least three years prior to appointment;
- Has not been solely or jointly responsible for the day-to-day management of an audit firm for at least three years prior to appointment;
- Has not been a voting member of the board of an audit firm for at least three years prior to appointment; and
- Has not been employed by or otherwise affiliated to an audit firm during the previous three years.

Board Members are appointed by the minister of Finance, on the basis of a non-binding proposal of the Supervisory Board of the AFM.

### Funding

The AFM's budget is assessed and approved by the Minister of Finance. All supervision activities of the AFM are levied to the firms under supervision. The levies imposed on statutory auditors and audit firms are determined by the Minister of Finance, after consultation with the Advisory Panel, which includes representatives of professional bodies. There are separate levies for market entry and for annual supervision activities. The main drivers for determining the amount of the annual levies are a proportion of the audit firm turnover from non-PIE-audits and PIE-audits.

### Transparency

The AFM publishes an annual report which is made publicly available on its website. A summary report is also made available in English. The annual report includes information on the results of the AFM's activities, details on individual firm inspection results, and an overall assessment of these results relative to previous years, and decisions on sanctions. Decisions on sanctions are done on a named basis.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>	Approval for audit standards required by the Ministry of Finance	NBA
<b>Quality assurance system</b>	AFM Some delegation for non-PIEs to the NBA and SRA <sup>13</sup>	
<b>Disciplinary measures and sanctions</b>	Audit firms: AFM Individuals: Disciplinary Court for Auditors	
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

The scope of activities of the AFM is as follows:

- Approval and registration of audit firms for those which perform audits of PIEs and non-PIEs is the responsibility of the AFM. The registration of individual statutory auditors is the responsibility of the NBA;
- **Quality assurance system** for both PIEs and non-PIEs is performed by the AFM staff with the only difference being the frequency of supervision activities; and
- **Disciplinary measures and sanctions** imposed on audit firms are the responsibility of the AFM. The AFM can impose sanctions in case of violations of law or regulation in the case of audit firms and also individual board members. The AFM can initiate disciplinary proceedings for individual statutory auditors at the independent Disciplinary Court of Auditors.

### Delegation to Professional Bodies

#### Standard setting and endorsement of standards

Standard setting is the responsibility of the NBA. The NBA is responsible for standard setting in all areas of the auditing profession, including standards for ethics, independence, continuous education and audit practices. Standards which relate to statutory audits need the approval of the Minister of Finance.

#### Quality assurance/ reviews and inspections

The AFM has partly delegated the quality reviews of the non-PIE statutory audits the NBA, and SRA which is a network of audit firms.

#### Disciplinary measures and sanctions

The independent Disciplinary Court for Auditors is responsible for disciplinary measures and sanctions against individual auditors. Both the NBA and the AFM can file disciplinary cases against statutory auditors with the Court. The Court can amongst others withdraw the license from individual auditors and impose fines.

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<sup>13</sup> The SRA is a network of audit firms which focuses on SMEs (<https://www.sra.nl/>)

## **Advisory Committee**

No advisory committee has been set up.

## **EXPECTED CHANGES - EU AUDIT REFORM**

No changes are foreseen.

## Poland

### CURRENT STATE OF AFFAIRS

#### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Audit Oversight Commission</b> Komisja Nadzoru Audytowego (KNA)
<b>Website</b>	<a href="http://www.mf.gov.pl/ministerstwo-finansow/dzialalnosc/ciala-kolegialne/komisja-nadzoru-audykowego/sklad-komisji-i-informacje-ogolne">http://www.mf.gov.pl/ministerstwo-finansow/dzialalnosc/ciala-kolegialne/komisja-nadzoru-audykowego/sklad-komisji-i-informacje-ogolne</a>
<b>Professional bodies</b>	<b>National Chamber of Statutory Auditors</b> Krajowa Izba Biegłych Rewidentów (KIBR) <sup>14</sup>

#### Composition

The Audit Oversight Commission (KNA) is composed of nine members appointed by the Minister of Finance for a four-year term. The KNA operates in plenary sessions which are summoned and chaired by the Chair or Deputy Chair and are held at least once a month. The KNA consists of:

- Two representatives from the Ministry of Finance, including the Chair of the KNA;
- Two representative from the Financial Supervision Authority (FSA), including the Deputy Chair;
- One representative from the Ministry of Justice;
- Two representatives of the KIBR;
- One representative from an employer's organisations; and
- One representative of Warsaw Stock Exchange.

At present, the KNA consists of four statutory auditors: three practitioners, and one non-practitioner.

The majority of the members of the KNA need to fulfil the following criteria:

- Have not been a responsible for conducting statutory audits for at least three years prior to appointment;
- Have not been a voting, or otherwise, member of the board of an audit firm for at least three years prior to appointment;

The KNA performs its tasks with the assistance of two organisational units which form part of the Accounting Department of the Ministry of Finance. These units are tasked with substantive and administrative support of the KNA.

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<sup>14</sup> The KIBR is organised in a number of committees and councils, which tasks pertaining to public oversight are delegated to. These are the National Assembly of Statutory Auditors, the National Council of Statutory Auditors, the National Audit Oversight Committee, the National Disciplinary Court, the National Disciplinary Prosecutor, and the National Internal Audit Committee.

## Funding

The KNA is funded through the state budget. The Auditing Act provides that, in connection with the operation of the public oversight system, the state budget can generate income from the following:

- Participation in oversight fees, in the amount of 20% of annual fees paid by audit firms which are authorised to perform audits of PIEs. This amount is transferred by the KIBR to the account of the state budget in the period to 31 March;
- Fees for entry of statutory auditors from third countries and entry into the list of entities authorised to audit financial statements from third countries; and
- Fines imposed by the KNA on entities authorised to audit financial statements.

## Transparency

The KNA publishes, by 30 April of the following year, an [annual report](#) covering comprehensive information on the functioning of the quality assurance system, and the outcome of disciplinary proceedings, as well as the sanctions imposed on entities authorised to audit financial statements. Individual firm quality assurance results are not presented. Public notification of sanctions about ascertained irregularities and penalties imposed on the entity authorised to audit financial statements can be imposed as an additional penalty. The report is published on the website of the Ministry of Finance.

The KIBR is required to provide the KNA with any relevant data which is deemed to be indispensable for the preparation of the information to be included in the annual report.

Before the end of each calendar year, the KNA publishes a work plan with information on its planned activities for the next year. This is again published on the website of the Ministry of Finance.

## Overview of Key Activities of the National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>		Proposed by KIBR Approved by KNA
<b>Quality assurance system</b>		Performed by KIBR Results assessed and approved by KNA
<b>Disciplinary measures and sanctions</b>		Performed by KIBR Disciplinary proceedings approved by KNA
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

## Scope of Activities

In accordance with the Polish Auditing Act, the KNA exercises public oversight over:

- The performance of the profession of statutory auditor;
- The activities of the entities authorised to audit financial statements; and
- The operations of the KIBR.

The scope of activities of the KNA is as follows:

- Approval of KIBR resolutions on the registration of statutory auditors and audit firms, as well as registration of statutory auditors and audit firms from third countries, and continuous education;
- **Standard setting and endorsement of standards**, as put forward by the KIBR;
- **Quality assurance system**, by approving the quality assurance review results as carried out by the KIBR, and also approving the annual work plan for quality review activities. The KNA may also participate as an observer in selected quality assurance reviews with access to all relevant documents and reserve the right to perform its own inspections in instances where irregularities are noted in the activities of entities authorised in performing statutory audits.
- **Disciplinary measures and sanctions**, by participating as a party in disciplinary proceedings against statutory auditors conducted by the National Disciplinary Prosecutor (NDP) and the National Disciplinary Court (NDC), and by appealing to the administrative court against resolutions of the KIBR bodies that are not subject to approval. The KNA also approves the rules which govern disciplinary proceedings.

## Delegation to Professional Bodies

### Standard setting and endorsement of standards

This task is delegated to the KIBR. There is no distinction between PIEs and non-PIEs.

### Quality assurance/ reviews and inspections

This task is delegated to the KIBR. Quality assurance reviews are carried out by the National Audit Oversight Committee (NAOC), which is part of the KIBR. The quality assurance reviews for PIEs are conducted by inspectors employed by the KIBR, whereas reviews for non-PIEs can also be performed on the basis of a civil law contract by controllers who are statutory auditors.

Prior to their employment, the KIBR inspectors are approved by the KNA.

### Disciplinary measures and sanctions

This task is delegated to the KIBR. There are two disciplinary bodies within the KIBR responsible for carrying out this task; the NDP and the NDC. The NDP shall act as a prosecutor in disciplinary proceedings, and provides the KIBR with annual activity reports containing, in particular, an evaluation of the efficiency of disciplinary proceedings. This report is submitted to the KNA by March 31 of the following year.

The NDC issues decisions with respect to disciplinary liability of statutory auditors and can impose financial penalties on entities authorised to perform statutory audits, including disciplinary measures and other sanctions. The NDC provides the KIBR Council with annual activity reports containing, in particular, an evaluation of the efficiency of disciplinary proceedings. This report is submitted to the KNA by March 31 of the following year.

In addition to the above, one of the responsibilities of the KIBR Council is adoption of resolutions (subject to the KNA approval) on imposing financial penalties on entities authorised to perform statutory audits and bans on performing statutory audits within a period from six months to three years.

## Advisory Committee

No advisory committee has been set up.

## EXPECTED CHANGES - EU AUDIT REFORM

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system is as follows:

- **Composition:** the KNA will no longer be composed of practitioners.
- **Scope of activities:** the quality review of auditors of PIE entities will be undertaken by the KNA.



# Portugal

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>National Audit Oversight Board</b> Conselho Nacional de Supervisão de Auditoria ( <b>CNSA</b> )
<b>Website</b>	<a href="http://www.cnsa.pt">www.cnsa.pt</a>
<b>Professional bodies</b>	<b>Portuguese Statutory Audit Institute</b> Ordem dos Revisores Oficiais de Contas ( <b>OROC</b> )

### Composition

The Board of the CNSA is composed of five members, each representing the following institutions:

- The Bank of Portugal (Banco de Portugal);
- The Securities Market Commission (Comissão de Mercado dos Valores Mobiliários, CVMV);
- The Insurance Regulator (Instituto de Seguros de Portugal) ;
- The Inspectorate General of Finance (Inspeção Geral de Finanças); and
- The OROC.

### Funding

The CNSA is financed through of the following sources:

- Funding by the institutions that are represented on the CNSA Board. These institutions are also obliged to provide technical and administrative support as required by the CNSA;
- Its own revenue, which is made up of fines and the recovery of legal costs associated with disciplinary cases. 40% of the revenue generated in this way goes to the CNSA, whilst the rest reverts to the state; and
- Government funding, which is determined by the Minister of Finance following a proposal by the CNSA.

### Transparency

The CNSA prepares an annual report and an annual activity plan, which are made publicly available. The annual report includes the overall results of the quality assurance reviews performed. Individual firm results are not presented. Information on disciplinary measures and sanctions is included on an anonymous basis.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>		OROC Approval by CNSA
<b>Quality assurance system</b>		OROC CNSA can perform additional reviews
<b>Disciplinary measures and sanctions</b>		Performed by OROC CNSA can further impose sanctions independently
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

The scope of activities of the CNSA is as follows:

- Supervision of the approval and registration of statutory auditors and audit firms, which is undertaken by the OROC;
- Final approval for the **endorsement of standards** as per the standard setting process undertaken by the OROC;
- **Oversight of the quality assurance system** and carrying out of a small number of quality reviews; and
- **Disciplinary measures and sanctions** can be applied by the CNSA independently and additionally to those that the OROC can decide to apply.

### Delegation to Professional Bodies

#### Standard setting and endorsement of standards

This activity is delegated to the OROC with ultimate approval by the CNSA. There is no distinction between PIEs and non-PIEs.

#### Quality assurance/ reviews and inspections

This activity is delegated to the OROC with ultimate responsibility maintained by the CNSA. The CNSA can perform additional reviews from those performed by the OROC according to an assessment performed by the CNSA. There is no distinction between PIEs and non-PIEs.

#### Disciplinary measures and sanctions

This activity is delegated to the OROC. The OROC is responsible for the approval and registration of auditors and audit firms and as such can revoke registration. There is no distinction between PIEs and non-PIEs.

### Advisory Committee

No advisory committee has been set up.

## **EXPECTED CHANGES - EU AUDIT REFORM**

The transposition and implementation of the 2014 EU audit reform is conducted by the National Council of Financial Supervisors (Conselho Nacional de Supervisores Financeiros), under the auspices of the Ministry of Finance. There is awareness that the system of quality assurance for PIE audits will need to be adapted. It is anticipated that the oversight of the profession will reside with the Securities Market Commission. No other information is available at present.

# Romania

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Council for the Public Interest Oversight of the Accountancy Profession</b> Consiliul pentru Supravegherea in Interes Public a Profesiei Contabile ( <b>CSIPPC</b> )
<b>Website</b>	<a href="http://www.csippc.ro">http://www.csippc.ro</a>
<b>Professional bodies</b>	<b>Chamber of Financial Auditors</b> Camera Auditorilor Financiari din Romania ( <b>CAFR</b> )  <b>Body of Expert and Licensed Accountants</b> Corpul Expertilor Contabili si Contabililor Autorizati din Romania ( <b>CECCAR</b> )

### Composition

The Board of the CSIPPC is composed by seven members as follow:

- A representative of the Ministry of Finance;
- A representative of the Ministry of Justice;
- A representative of the Romanian National Bank (NBR);
- A representative of the Authority for Financial Services (ASF);
- The President of the CAFR or a representative;
- The President of the CECCAR or a representative; and
- The President of the Romanian Trading Chamber or a representative.

The President of the Board is elected from the representatives of the Ministry of Finance, the ASF or the NBR. All members of the POB Board are non-practitioners, except for the representatives of the CAFR and the CECCAR.

### Funding

The Romanian POB is funded through the government budget to approximately 40% and the rest through contributions from the CAFR and the CECCAR.

### Transparency

The work programme and annual report of the activities of the CSIPPC are to be made publicly available. However, the information currently on the CSIPPC website is not up-to-date and the last available annual report seems to be from 2012. Results of the individual firm inspections are not available, nor are the decisions on disciplinary measures and sanctions.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>		CAFR
<b>Quality assurance system</b>	CAFR	CAFR jointly with CSIPPC
<b>Disciplinary measures and sanctions</b>		CAFR and CSIPPC
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

The CSIPPC supervises the activity of the CAFR and has the final responsibility for the oversight of the following activities:

- Oversight of the approval and registration of statutory auditors and audit firms, and continuous education, as the registration of statutory auditors is performed by the CAFR;
- **Oversight of the quality assurance system** and joint quality reviews conducted along with the CAFR for PIE audits; and
- **Disciplinary measures and sanctions** where the disciplinary committee, within the CSIPPC, is the structure for investigation and discipline for statutory auditors and audit firms in Romania. The disciplinary committee issues decisions and imposes sanctions in accordance with its Internal Regulation. There is some overlap in activities with the CAFR.

### Delegation to Professional Bodies

#### Standard setting and endorsement of standards

This activity is carried out by the CAFR, and there is no distinction between PIEs and non-PIEs.

#### Quality assurance/ reviews and inspections

This activity is carried out by the CAFR for non-PIEs. For PIEs, CAFR inspectors conduct joint reviews with CSIPPC inspectors.

#### Disciplinary measures and sanctions

Currently, both the CAFR and the CSIPPC hold competences for the application of the system of disciplinary measures and sanctions, i.e.:

- The CAFR is the competent authority that establishes efficient systems for investigations and sanctions in order to detect, correct and prevent inadequate execution of statutory audit by its members; and
- The CAFR prepares regulations regarding the investigation of disciplinary misconduct, disposition of disciplinary sanctions and disciplinary procedure under the law.

There is some overlap in activities between CAFR and CSIPPC with regards to disciplinary measures and sanctions.

## Advisory Committee

Within the CSIPPC, a technical commission is established, having a consultative role. The technical commission comprises practitioners, a representative of the CAFR, the CECCAR, the ASF, the NBR, and the Ministry of Justice, the Ministry of Finance and the Romanian Chamber of Commerce. The technical commission has a consultative role, particularly in adopting the decisions of the CSIPPC, focusing on the statutory and oversight activity.

## EXPECTED CHANGES - EU AUDIT REFORM

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system is as follows:

- **Composition and nomination process:** a number of changes are expected in the structure of the board of the CSIPP, especially in that members should be non-practitioners.
- **Scope of activities:** the CSIPPC is expected to continue to delegate a number of activities to the professional bodies, with the exception of quality assurance reviews, and investigation and sanctions for auditors of PIE entities.
- **Funding:** it is intended for the CSIPPC to be funded only from non-public sources. This implies that contributions from members of the CAFR and the CECCAR are likely to increase.
- **Transparency of its work:** a higher level of transparency is anticipated, mainly through reporting of the CSIPPC's activities and outcomes thereof.

# Slovakia

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Auditing Oversight Authority</b> Urad pre dohľad nad vykonom auditu (UDVA)
<b>Website</b>	<a href="http://www.udva.sk">www.udva.sk</a>
<b>Professional bodies</b>	<b>Slovak Chamber of Auditors</b> Slovenska komora auditorov (SKAU)

### Composition

The Board of the UDVA is composed of seven members as follows:

- The Director General;
- Two representatives of the Ministry of Finance;
- A representative of the National Bank of Slovakia (NBS);
- A representative of the Stock Exchange;
- A representative of the SKAU; and
- A representative of the Association of Employer's Federations and Associations.

### Funding

The UDVA's core operating costs are currently funded by PIEs and by the Slovak state budget through the Ministry of Finance.

### Transparency

An [annual report](#) is published by the UDVA on an annual basis. [Auditor quality review results](#) are published, as well as information and decisions on disciplinary measures and sanctions.

### Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting</b>	SKAU	SKAU
<b>Endorsement of standards</b>	UDVA	UDVA
<b>Quality assurance system</b>	UDVA, SKAU	UDVA, SKAU
<b>Disciplinary measures and sanctions</b>	UDVA, SKAU	UDVA, SKAU

*\*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.*

### Scope of Activities

The scope of activities of the UDVA is as follows:

- Approval and registration of statutory auditors and audit firms is fully carried out by the UDVA;
- **Continuous education** is overseen by the Professional Oversight Team of the UDVA. Auditor training is conducted by the SKAU;
- **Standard setting and endorsement of standards** is carried out by the SKAU and overseen by the UDVA;
- **Oversight of the quality assurance system** for PIEs and “major audits”. The UDVA, through its Audit Quality Review (AQR) team, is responsible for the oversight of the audits of all PIEs; and
- **Disciplinary measures and sanctions** through investigation in instances of potential misconduct which raises important issues affecting the public interest in the Slovak Republic. The UDVA is the independent disciplinary body for auditors and audit firms.

## Delegation to Professional Bodies

### Quality assurance/ reviews and inspections

All non-PIE audit quality reviews are delegated to the SKAU and overseen by the UDVA.

### Disciplinary measures and sanctions

Certain disciplinary measures and sanctions are delegated to the SKAU. The SKAU also determines the sanctions in respect of matters under their direct supervision.

### Advisory Committee

No advisory committee has been formed.

## EXPECTED CHANGES - EU AUDIT REFORM

It is unclear at the moment to what extent the organisation of public oversight will be impacted by the 2014 EU audit reform. As far as funding, it is expected that the SKAU will add resources to the UDVA funding. There is also awareness that the system of quality assurance for PIE audits will need to be adapted.



# Slovenia

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Agency for Public Oversight over Auditing</b> Agencija za javni nadzor nad revidiranjem ( <b>ANR</b> )
<b>Website</b>	<a href="http://www.anr.si/">http://www.anr.si/</a>
<b>Professional bodies</b>	<b>Slovenian Institute of Auditors</b> Slovenski inštitut za revizijo ( <b>SIZR</b> )

### Composition

The ANR is governed by the Council of Experts (CE) who along with the Director of the Agency, who acts as the president of the CE, are appointed and dismissed by the Government, on proposal of the Minister of Finance. The Experts are appointed for a term of six years and can be re-appointed. The CE and its Director need to fulfil the following criteria:

- Be an independent expert with appropriate knowledge and experience relating to the tasks of the ANR;
- Have completed a higher education degree in the areas of economics or law;
- Have work experience in the theoretical or practical fields of accounting, auditing, finance or law for at least eight years;
- Not be employed by the Slovenian Institute of Auditors (SIA) or be a member of any of the Institute's bodies;
- Have not been a practitioner, or been affiliated in any way to an audit firm for at least three years prior to appointment;
- Not have any prior criminal convictions related to economic crime;
- Not be a member of management or of the Board of Directors of any entity which is subject to a statutory audit.

The CE has nine members, who are appointed by the Minister of Finance. The members are nominated from the following organisations:

- The Securities Market Agency;
- The Bank of Slovenia;
- The Insurance Supervision Agency;
- The SIZR;
- The Ljubljana Stock Exchange;
- The Ministry of the Economy;
- The Ministry of Finance;
- The University of Ljubljana or University of Maribor.

## Funding

The ANR is mostly funded by the government. Indicatively, the ANR's budget for 2013 amounted to EUR 259,000, out of which EUR 242,000 was provided by the government.

## Transparency

The ANR prepares and presents an annual report which is reviewed by the National Assembly of the Republic of Slovenia. This report is publicly available, as is the annual work plan and the report on disciplinary measures and sanctions. The annual report includes overall results of the quality assurance reviews performed. Individual firm results are not presented. Information on disciplinary measures and sanctions are included in the public register maintained by the SIZR once they are final.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>		SIZR
<b>Quality assurance system</b>	Performed by SIZR ANR can perform reviews & make recommendations	
<b>Disciplinary measures and sanctions</b>		ANR
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

## Scope of Activities

The ANR is responsible for the oversight of the following activities:

- The adoption of auditing rules and the definition of the hierarchy of the auditing rules which are not regulations;
- The training for obtaining the professional title of certified auditor;
- The issuance of the licences to provide audit services and carry out the tasks of a certified auditor, and the registration of statutory third-country auditors and audit companies;
- The continuing education of certified auditors; and
- Ensuring the quality of the audit work of certified auditors and audit companies.

The ANR takes the final decisions regarding supervisory procedures of the quality of the work of audit companies and certified auditors, and imposes measures of supervision. Based on good practices, the ANR may, in cooperation with the SIZR, formulate recommendations for quality control of the auditing of individual types of companies.

## Delegation to Professional Bodies

### Standard setting and endorsement of standards

This task is delegated to the SIZR. No distinction is made between PIEs and non-PIEs.

### **Quality assurance/ reviews and inspections**

This task is delegated to the SIZR. The ANR may itself perform quality assurance reviews. In carrying out such quality control, the ANR has the same competences as the SIZR. No distinction is made between PIEs and non-PIEs.

### **Disciplinary measures and sanctions**

These tasks are not delegated, and there is no distinction made between PIEs and non-PIEs

### **Advisory Committee**

There is no advisory committee in place at the moment and it is unclear whether one will be put in place.

### **EXPECTED CHANGES - EU AUDIT REFORM**

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system is that the ANR is expected to take over all the activities relating to the quality review system, including sanctions.

# Spain

## CURRENT STATE OF AFFAIRS

### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Accounting and Auditing Institute</b> Instituto de Contabilidad y Auditoria de Cuentas ( <b>ICAC</b> )
<b>Website</b>	<a href="http://www.icac.meh.es">www.icac.meh.es</a>
<b>Professional bodies</b>	<b>Institute of Chartered Accountants of Spain</b> Instituto de Censores Jurados de Cuentas de España ( <b>ICJCE</b> )  <b>General Council of Economist Associations</b> Consejo General de Colegios de Economistas ( <b>CGCE</b> )

### Composition

The ICAC is affiliated to the Ministry of Economy and Competitiveness. The governing bodies of the ICAC are the ICAC President, the Audit Committee and the Accounting Council.

The Audit Committee has only an advisory role and is composed of:

- Two representatives of the Ministry of Economy and Competitiveness, one from the Stock Exchange Regulator (CNMV);
- A representative from the Directorate General for Insurance and Pension Funds (DGS);
- A representative of the Government Controller's office (IGAE);
- A representative of the Court of Auditors;
- A representative of the Central Bank of Spain;
- A public prosecutor or company registration officer;
- A member of the academic community;
- An investment analyst;
- An expert in accounting and auditing issues; and
- Four representatives of the audit professional bodies.

The Accounting Council is composed of representatives of those bodies which are responsible for accounting standards regulation. These are:

- Representatives of the Bank of Spain, CNMV and DGS;
- Civil servants from the ICAC; and
- A representative from the Economy and Competitiveness Ministry.

### Funding

The ICAC is funded predominantly by a fee levied on the profession. A fee is payable to the ICAC for the issuance of every audit report. A very small proportion of the ICAC's funding is from sales of its publications. Previously, until 2011, the ICAC also received funding from the Government.

## Transparency

The ICAC publishes its annual accounts and annual report of activities. The 2013 annual report is also available in [English](#). The individual inspection reports are not publicly available. Information on sanctions and disciplinary measures is published at the Official ICAC Bulletin (BOICAC), and includes the name of the auditor or audit firm, the kind of sanction imposed, the fine amount if applicable, and the name of the audit client, if relevant. This information is published in the Official ICAC Bulletin named BOICAC.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>		Setting: ICJCE and CGCE Endorsing: ICAC
<b>Quality assurance system</b>	ICJCE and CGCE	ICAC ICJCE and CGCE; possible but not exercised
<b>Disciplinary measures and sanctions</b>		ICAC

*\*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.*

### Scope of Activities

The scope of activities of the ICAC is as follows:

- Approval and registration of statutory auditors and audit firms, and continuous education, as the ICAC also sets the standards for the access examinations which are conducted by the ICJCE;
- **Endorsement of standards** in audit, ethics and internal quality control;
- **Oversight of the quality assurance system** is maintained by the ICAC which sets the scope for reviews and establishes the procedures to be performed for both audits of PIEs and non-PIEs. The ICAC also approves the reviewers and makes the selection of the auditors and firms to be reviewed. All PIE reviews are performed by the ICAC; and
- **Disciplinary measures and sanctions.**

### Delegation to Professional Bodies

#### Standard setting and endorsement of standards

The drafting of the standards is delegated to the ICJCE and the CGCE. In instances where this task is not fulfilled, the ICAC has the competence to prepare and adopt the standards itself. There is no distinction between PIEs and non-PIEs.

#### Quality assurance/reviews and inspections

The performance of the quality assurance reviews for non-PIE audits is delegated to the professional bodies with the ICAC maintaining supervision of this activity. The work programme for quality reviews of non-PIEs is discussed annually between the ICAC and the professional bodies and an agreement is put in place, which is signed by both parties.

At present, the delegation of quality reviews for PIEs and non-PIEs is possible, however, in practice only the quality review of non-PIE audits is performed by the professional bodies.

### **Disciplinary measures and sanctions**

This task is not delegated. There are no distinctions between PIEs and non-PIEs.

### **Advisory Committee**

The current Audit Committee and Accounting Council, which are two of the Governing Bodies of the ICAC as per the relevant Auditing Law, operates as advisory committees of the ICAC President who bears ultimate responsibility with regards to decision making in audit matters. The participation of the profession in the Audit Committee has varied over the years, and the current composition is detailed above. The Accounting Council of the ICAC is assisted by an Accounting Consultative Committee where the profession is represented along with other interested parties. The Accounting Council is one of the governing bodies of the ICAC.

## **EXPECTED CHANGES - EU AUDIT REFORM**

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system is as follows:

- **Funding:** the new draft legislation includes the provision for a new fee for the registration in the Official Registry of Auditors.
- **Sanctions:** the new draft legislation proposes some changes, which would increase the amount of fines related to PIE audits.
- **Quality assurance system:** the new draft legislation specifies that the tasks that can be delegated to professional bodies shall be “merely instrumental”. Depending on the final interpretation of this term, it may lead to an even lower delegation of tasks. The new draft legislation will limit the delegation of the performance of quality reviews to non-PIE audits. As indicated in the relevant section above, the current legislation permits the delegation of the performance of quality reviews to professional bodies. Although in practice only non-PIE quality reviews are delegated, the law currently does not provide this limitation. It is also expected that there will be state-wide possibilities for the regulator to access audit files/documentation of audit firms and individual auditors.
- **Advisory Committee:** the new draft legislation has introduced a new restriction to the composition, and responsibilities of the Audit (Advisory) Committee. The draft bill prohibits auditors in practice or recently retired to be members of the committee. The ICJCE has asked for the withdrawal of this new restriction.

## Sweden

### CURRENT STATE OF AFFAIRS

#### Organisation of Public Oversight

<b>National public oversight bodies</b>	<b>Supervisory Board of Public Accountants</b> Revisorsnämnden (RN)
<b>Website</b>	<a href="http://www.revisorsnamnden.se/rn/english/english.html">http://www.revisorsnamnden.se/rn/english/english.html</a>
<b>Professional bodies</b>	<b>Institute for the Accountancy Profession in Sweden</b> Branschorganisationen för redovisningskonsulter, revisorer och rådgivare (FAR)

#### Composition

The RN is organised around an office and a disciplinary board. The RN has no board, instead the office is led by a director, who is the head of the authority and who has the full decisive powers in all administrative matters. The director is appointed by the Government for a period of six years. The disciplinary board consists of nine members appointed by the Government for a period of three years, and two of these members should be practitioners.

#### Funding

The RN is funded entirely by fees comprising of an annual fee amounting to SEK 5,500 per auditor and SEK 20,000 per registered public accounting firm, a fee of SEK 3,100 for every application for authorisation or registration and renewal of such authorisation/registration and a fee of SEK 25,000 for every exam.

The RN also charges an annual inspection fee for each PIE assignment, i.e. today comprising listed companies, ranging between SEK 10,000 to SEK 40,000.

#### Transparency

The RN issues an annual report, which is made publicly available. The annual report includes overall results of the quality assurance reviews performed. Individual firm results are not presented. Decisions on disciplinary measures and sanctions are publicly available on an anonymous basis. The public can request further information on individual cases, in which case the name would also be included in the information provided.

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>		RN
<b>Quality assurance system</b>	FAR/RN	RN
<b>Disciplinary measures and sanctions</b>		RN
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

The scope of activities of the RN is as follows:

- Approval and registration of auditors and audit firms, and continuous education;
- **Standard setting and endorsement of standards;**
- **Oversight of the quality assurance system** and performance of quality reviews of PIE auditors, and non-members of FAR. The RN also performs a review of a random selection of the quality assurance reviews conducted by the FAR; and
- **Disciplinary measures and sanctions** are performed by the RN through its disciplinary board.

The RN is the governmental authority for all matters concerning auditors. The RN is responsible for all matters concerning exams and issuing authorisation or registration, but also supervision and decisions on disciplinary and other measures against auditors and registered public accounting firms. The RN is also responsible to give advanced notifications and interpret and develop auditing practice and professional ethics.

### Delegation to Professional Bodies

#### Standard setting and endorsement of standards

There is no delegation of this task. There is no distinction between PIEs and non-PIEs.

#### Quality assurance/ reviews and inspections

The quality assurance review of non-PIE auditors, that are members of FAR, is conducted by the FAR. In instances where an auditor or audit firm refuses to undergo a review, or the review raises significant deficiencies, then the FAR needs to report this to RN.

#### Disciplinary measures and sanctions

There is no delegation of this task. There is no distinction between PIEs and non-PIEs.

### Advisory Committee

No advisory committee in place.

### EXPECTED CHANGES - EU AUDIT REFORM

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system is as follows:



- **Scope of activities:** it is expected to change slightly with more market monitoring being conducted by the RN. No additional delegation is planned.

## UK

### CURRENT STATE OF AFFAIRS

#### Organisation of Public Oversight

The government departments with authority over the public oversight of the profession are the Department for Business Innovation & Skills (BIS), and the Treasury. The powers held by the BIS are devolved to the Financial Reporting Council (FRC), and those of the Treasury are similarly devolved to the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

<b>National public oversight bodies</b>	<b>Oversight of the audit profession and company reporting</b> Financial Reporting Council (FRC)
<b>Other relevant bodies</b>	<b>Audits of banks</b> Prudential Regulation Authority (PRA)  <b>Financial listing</b> Financial Conduct Authority (FCA)
<b>Website</b>	<a href="https://www.frc.org.uk/Home.aspx">https://www.frc.org.uk/Home.aspx</a> <a href="http://www.fca.org.uk/">http://www.fca.org.uk/</a> <a href="http://www.bankofengland.co.uk/pru/Pages/default.aspx">http://www.bankofengland.co.uk/pru/Pages/default.aspx</a>
<b>Professional bodies</b>	<b>Recognised Supervisory Bodies (RSBs)<sup>15</sup></b> Institute of Chartered Accountants in England and Wales (ICAEW) Chartered Accountants Ireland (ICAI) Association of Chartered Certified Accountants (ACCA) Institute of Chartered Accountants of Scotland (ICAS) Association of Authorised Public Accountants (AAPA)  <b>Recognised Qualifying Bodies (RQBs)<sup>16</sup></b> Institute of Chartered Accountants in England and Wales (ICAEW) Chartered Accountants Ireland (ICAI) Association of Chartered Certified Accountants (ACCA) Institute of Chartered Accountants of Scotland (ICAS) Chartered Institute of Public Finance and Accountancy (CIPFA) <sup>17</sup>

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<sup>15</sup> These are the professional bodies which are approved by the Minister of State, and monitored by the FRC, as responsible for supervising the work of their member auditors, and audit firms.

<sup>16</sup> These are the professional bodies which are approved by the Minister of State, and monitored by the FRC, as responsible for offering an audit qualification.

<sup>17</sup> CIPFA's status as an RQB is currently temporarily suspended.

## Composition

The FRC Board can have up to 20 directors comprising: the Chairman and Deputy Chairman (appointed by the Secretary of State for the Department of Business, Innovation and Skills); the Chief Executive; the Executive Director of Conduct; the Executive Director of Codes and Standards; the Chair of the Codes and Standards Committee; the Chair of the Conduct Committee; and up to 11 other non-executive directors (including the Chairs of the Accounting, Actuarial and Audit and Assurance Councils). The key committees with regards to the oversight of the audit profession are the Codes and Standards Committee, and the Conduct Committee. Both of these committees have practitioners amongst their ranks. However, no FRC Board member is a practitioner.

The majority of FRC Board members must not be individuals who in the five years prior to appointment have:

- Been practising auditors, accountants or actuaries; or
- Held voting rights in an audit, accountancy or actuarial firm; or
- Been employees of an audit, accountancy or actuarial firm, members of the administrative or management body of an audit, accountancy or actuarial firm or officer holders of an accountancy or actuarial body.

Further to the above conditions, an office holder of an accountancy or actuarial body is not eligible for appointment as a director of one of the FRC committees.

## Funding

The FRC's core operating costs in relation to accounting, auditing and corporate governance are currently funded by an arrangement under which the costs are met by the business community, the accountancy profession and by the UK Government. It should be noted that the proportion of government funding is minimal. Core operating costs in relation to actuarial standards and regulation are funded by contributions from the pensions and insurance industries and the actuarial profession.

The FRC's budget for the year ending 31 March 2016 is GBP 12,800,000. Details of the funding arrangements can be found on the [FRC's website](#).

## Transparency

An [annual report, plan and budget](#) are published by the FRC on an annual basis. Internal governance and policy decision choices are not always transparent; however [individual firm quality review results](#) are published, as well as information and decisions on [disciplinary measures and sanctions](#).

## Overview of Key Activities of National Public Oversight Body and Delegation

KEY ACTIVITIES*	non PIEs	PIEs
<b>Standard setting and endorsement of standards</b>	FRC	FRC
	Ethical standards: RQBs and FRC	
<b>Quality assurance system</b>	Audit firms > 10 “major audits” <sup>18</sup>	
	FRC	
	All other non-PIE audits	Audit firms < 10 “major audits”
	RSBs	RSBs
<b>Disciplinary measures and sanctions</b>	FRC and RSBs	
	If the investigation was carried out by the FRC then the sanctions are imposed by the FRC	
<i>*National public oversight bod(y)ies have ultimate responsibility for the oversight of these activities.</i>		

### Scope of Activities

The scope of activities of the FRC is as follows:

- Approval and registration of statutory auditors and audit firms, and continuous education is overseen by the Professional Oversight Team of the FRC. It should be noted that auditor approval, and qualification/ training is not conducted by the FRC. Approval and registration is granted by each of the RQBs. The FRC has a supervisory and not a delegating role in this instance.
- **Standard setting and endorsement of standards** is carried out by the FRC, through its audit and assurance team. The FRC develops and maintains auditing and assurance standards and guidance for engagements that are performed in the UK and Ireland.
- **Oversight of the quality assurance system** “major audits”, which includes PIEs. The FRC, through its Audit Quality Review (AQR) team, is responsible for the monitoring of the audits of all listed entities and other PIEs. The AQR team conducts reviews of firms with more than 10 “major audits” - there are nine such audit firms subject to full inspection by the AQR. A middle tier of audits are within the scope of the AQR’s work, and are known as non-PIE “major audits”. These relate to entities whose financial condition is considered to be a major public interest. A description of such entities is issued annually by the FRC (“Scope of Independent Inspection”). Major audits undergo the same inspection arrangements as PIEs but have no other obligations associated with them.
- **Disciplinary measures and sanctions** through investigation in instances of potential misconduct<sup>19</sup> which raise or appear to raise important issues affecting the public interest in the UK. The FRC is the independent disciplinary body for accountants, and accountancy firms which are members of the UK professional bodies.

<sup>18</sup> These are audits of PIE and non-PIE entities whose financial condition is considered to be a major public interest. A description of such entities is issued annually by the FRC.

<sup>19</sup> This is formally designated as the Auditors Regulatory Sanctions Procedure

## Delegation to Professional Bodies

### Standard setting and endorsement of standards

Ethical standards are determined by the professional bodies, under International Federation of Accountants (IFAC) guidance and challenged by the FRC.

### Quality assurance/ reviews and inspections

There are approximately fifty firms with ten or fewer “major audits” audits, where the AQR delegates the independent inspection of the firm to the Monitoring Bodies of the RSBs, depending on which body has granted the audit registration to the firm. The RSBs undertake the primary review of the firm. The largest six of these audit firms are subject to inspection on an annual basis by the FRC and the other major firms on an extended cycle of three years. Responsibility for the review those audits which do not fall within the FRC’s definition of a major audit has been delegated to the audit monitoring team of the relevant RSB.

### Disciplinary measures and sanctions

The expedition of disciplinary measures and sanctions is delegated to the professional bodies which are RSBs. The professional bodies also determine the sanctions in respect of matters under their direct supervision. In the instance of sanctions and measures which arise from disciplinary investigations conducted by the FRC, professional bodies act as agents of implementation on behalf of the FRC.

It depends whether the related inspection was performed by the FRC or the RSBs as to who determines the sanctions to be imposed. All sanctions are carried out by RSBs.

## Advisory Committee

A committee made up of ICAEW, ICAS, ACCA, CIPFA and Chartered Accountants Ireland, known as the Consultative Committee of Accounting Bodies (CCAB) which acts as a professional forum which supports and occasionally challenges the FRC and BIS on the oversight of the audit and accountancy profession. This body was created in 1974 as a Chartered Body.

## EXPECTED CHANGES - EU AUDIT REFORM

The extent to which the transposition and implementation of the 2014 EU audit reform is likely to change the public oversight system is unclear at the moment. BIS has issued a discussion paper to consult on changes to the oversight of the profession in the UK. There is no clear indication at the moment on what these changes will be, however, the following are anticipated:

- **Composition and nomination process:** anticipated changes relate to the independence of committee members.
- **Scope of activities:** the FRC will be responsible for conducting quality reviews of all audit firms which carry out PIE audits. These are estimated to be between 50 and 100 in number depending on how the definition of PIE is applied. The appropriate use of the category “major audit” is questionable as well as, and whether this category will remain. The Competition & Markets Authority (CMA) has already indicated that the inspection programme for listed entities will be strengthened, and as the FRC is obliged to have regard for competition, this might lead to increased quality review activity.