

AUDIT REFORM IN LITHUANIA

Aurelija Lauruševičiūtė, Director of the Lithuanian Chamber of Auditors

THE LAW ON AUDIT

- The Law on Audit of Financial Statements based on Audit Directive and Regulation:
 - Adopted 15th December 2016
 - Became effective on 1st March 2017

SCOPE OF PIE'S

1. Listed entity
2. Bank and Central Credit Union
3. **Credit Union if its assets at the last day of the financial year exceed 20 million euros for at least 2 consecutive fiscal years**
4. Brokerage firm
5. Collective Investment Undertaking, Pension Fund and Professional Pension Fund as described in the Law of the Republic of Lithuania
6. **Management Company managing at least one entity indicated in the point 5**, Association of Professional Participants of the Pension Fund (Fund);
7. Insurance Company, Reinsurance Company;
8. Central Securities Depository of Lithuania, Operator of the Regulated Market;
9. **State Enterprise, Municipal Company, Joint Stock Company, Limited Liability Company, which shares or part of shares granting more than 1/2 of total voting rights in the General Meeting of these companies, belong to State or Municipality, and which is considered large companies under the Law on Corporate Financial Statements of the Republic of Lithuania**

FIRM ROTATION IN CASE OF AUDIT OF PIE'S

- Key partner rotation – **5 years**
- Minimum duration period (art 17.1 and 17.2 of the regulation) – **2 years**
- Maximum duration period (art 17.1 and 17.2 of the regulation) – **10 years**
- Permitted extension of duration (if tender) (art 17.4 of the regulation) – **NO**
- Duration of extension (if tender) (art 17.4 of the regulation) – **NO**
- Permitted extension of duration (if joint audit) (art 17.4 of the regulation) – **NO**
- Joint audit – **allowed BUT not mandatory**

JOIN AUDIT

- Article 35.6 of the Law on Audit of Financial statements on joint audit:
 - Requirement to issue joint audit report with a signature of all key partners;
 - In case of dispute – separate audit opinions
- Lithuanian Chamber of Auditors was delegated the task to draft the procedure on joint audit

TASKS DELEGATED TO LCA

- Lithuanian Chamber of Auditors was delegated:
 - Approval and registration of statutory auditors and audit firms
 - Continuing professional education
 - Quality assurance system – audit of non PIE's
- Competent authority, i.e. Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finances was delegated:
 - Ultimate responsibility for the audit quality assurance and oversight of the LCA's activity, including:
 - Investigative and administrative disciplinary system
 - Oversight of auditors and firms of PIE's

BLACK LIST OF NAS

- Prohibited NAS – as in indicated in Article 5.1 of the Regulation 537/2014
- authorised NAS (art 5.3 of the Regulation):
 - (a) | tax services relating to: | (i) | preparation of tax forms; | ~~(ii) | payroll tax; | (iii) | customs duties;~~
| (iv) | identification of public subsidies and tax incentives unless support from the statutory auditor or the audit firm in respect of such services is required by law; | (v) | support regarding tax inspections by tax authorities unless support from the statutory auditor or the audit firm in respect of such inspections is required by law; | (vi) | calculation of direct and indirect tax and deferred tax; | (vii) | provision of tax advice;
- White list – **NO**

AUDIT COMMITTEE

- Requirements and composition => by the Central Bank of Lithuania – financial institutions
- Requirements and composition => by the Government of the Republic of Lithuania – state / municipal companies
- Extended list of the requirements in accordance with the Regulation
- Additional report – the same as before with additional requirements based on the Regulation
- Auditor or key partner has the right to become a member of Audit Committee:
 - After 1 year – audit of non PIE's
 - After 2 years – audit of PIE's

EFFECTIVE DATE

- The Law became effective on 1st March of 2017, however:
 - Audit, audit quality reviews and investigations, started before 1st March 2017, shall be carried out under the *previous* Law on Audit
 - Requirements for part of PIE's – from 1st January 2017



THANK YOU!

