



COMMITTEE OF  
EUROPEAN  
AUDITING  
OVERSIGHT  
BODIES

CEAOB 2020-006

Adopted on 3 March 2020

# **Report on the 2019 CEOAB Enforcement Questionnaire**

## Contents of the report

<b>Introduction</b> .....	3
<b>Statistical Representation of Administrative Measures and Sanctions in 2018 compared to 2017</b> .....	6
A.1 Withdrawal of approval.....	6
A.2 Notice .....	7
A.3 Public statement .....	8
A.2-3 Notice and Public Statement Combined .....	9
A.4 Temporary prohibition .....	10
A.5 Declaration that audit does not meet requirements .....	11
A.6 Temporary prohibition sanctions.....	12
A.7 Pecuniary sanctions.....	13
B Other sanctions in 2018 (narrative information) .....	14
<b>C Enforcement Organisation</b> .....	15
C.1 Developments and changes.....	15
C.2 Number of PIEs.....	18
C.3 Capacity of the auditor oversight organisation.....	19
<b>D Enforcement Process</b> .....	26
D.1 Audit firm and Statutory Auditor measures and sanctions compared .....	26
D.2 Categories of audit firms .....	30
D.3 Importance of the information sources .....	31
D.4 Most commonly applied auditing standards .....	32
D.5 Criteria from inspection to investigation .....	33
D.6.a Participation of third parties.....	34
D.6.b Participation of a whistleblower or complainant .....	35
D.7 Obligation to notify Authorities .....	38
D.8 Three most common failures detected in enforcement cases .....	42
<b>Tentative observations</b> .....	44

**Appendix:** Copy of the original CEAOB Enforcement Questionnaire 2019

## Introduction

The following report is a summary of responses to the CEAOB questionnaire, which addresses investigations and sanctioning by competent authorities and delegated authorities in the calendar year 2018. The responses of the questionnaire are used for public reporting purposes in compliance with the CEAOB's work plan 2019 and the CEAOB Enforcement sub-group's work plan 2019. For ease of reference the responses have been edited and in the statistics section (A) some responses have been redesigned in order to create clarity and comparability.

### About the survey

In June 2019 the CEAOB Enforcement sub-group (ENF) launched a survey about statistics of sanctions and administrative measures for the year 2018. The questionnaire was addressed to EU Competent Authorities in Auditor Oversight, based on Article 23 of the Regulation 537/2014 and Directive 2006/43/EC, Article 30f (1).

### Legal ground

This questionnaire is based on Member States duty to cooperate in line with Article 33 of Directive 2006/43/EC and CEAOB's mission to facilitate the exchange of information, expertise and best practices in line with Article 30(7) and 30(11) of the Regulation 537/2014.

### Statistics

The questionnaire focused on administrative measures and sanctions, which are linked to PIE or non-PIE statutory audits i.e. statutory audit engagements. The respondents were requested to fill in the statistics, which reflect the decisions based on legislation in the jurisdiction by the competent authority in line with the ARD. The responses should also cover the decisions made by a delegated authority or body. The questions and requests for statistics refer to calendar year 2018 only. If there was not yet history for year 2018 the respondents were asked to leave the response space empty. The questionnaire was addressed to collect information primarily on the oversight of statutory audit and statutory auditors and audit firms. The respondents were asked to exclude investigation and sanctioning of non-audit services of auditors and audit firms. However, some respondents reported administrative measures and sanctions, which are linked with non-audit services in the field "Number (Others)". The statistics regarding Section A2 (Notice) have been edited for this report by removing some statistics from Section B (Other sanctions) to Section A2 (Notice). For comparison the statistics from year 2017 have been redesigned accordingly. The edits are explained in the footnotes of this report.

In this survey administrative measures imposed on auditors vis-à-vis audit firms were not distinguished.

### Terms and definitions

The terms used in the questionnaire reflect the terms and definitions used in EU Audit Directive (2006/43/EC) of May 2006 and the Regulation 537/2014. This questionnaire covers PIE and non-PIE auditors and audit firms respectively.

Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts	EU Audit Directive (EU-AD)
Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities	EU Audit Regulation (EU-AR)
Audit Regulation and Directive (as described above)	ARD

## Responses

28 responses were received - 27 from EU Member States and 1 from an EEA state. Responses were received from the following national competent authorities (NCAs) in the table below.

Jurisdiction	Organisation
Austria	Abschlussprüferaufsichtsbehörde, APAB (Audit Oversight Body of Austria, AOBA)
Belgium	College van toezicht op de bedrijfsrevisoren/Collège de supervision des réviseurs d'entreprises (Belgian Audit Oversight College, BAOC)
Bulgaria	Комисия за публичен надзор над регистрираните одитори (Commission for public oversight of statutory auditors)
Cyprus	ΑΡΧΗ ΔΗΜΟΣΙΑΣ ΕΠΟΠΤΕΙΑΣ ΕΛΕΓΚΤΙΚΟΥ ΕΠΑΓΓΕΛΜΑΤΟΣ, ΑΔΕΕΛΕΠ (Cyprus Public Audit Oversight Board, CyPAOB)
Czech Republic	Rada pro veřejný dohled nad auditem (Public Audit Oversight Board, PAOB)
Denmark	Erhvervsstyrelsen (Danish Business Authority)
Estonia	Auditiortegevuse järelvalve nõukogu (Auditing Activities Oversight Board)
Finland	Patentti- ja rekisterihallitus (Finnish Patent and Registration Office, Audit Oversight Unit)
France	Haut Conseil du commissariat aux comptes, H3C (High Council For Statutory Audit)
Germany	Abschlussprüferaufsichtsstelle APAS beim Bundesamt für Wirtschaft und Ausfuhrkontrolle (Auditor Oversight Body, AOB)
Greece	Hellenic Accounting and Auditing Standards Oversight Board, HAASOB
Hungary	Könyvvizsgálói Közfelügyeleti Hatóság (Auditors' Public Oversight Authority)
Ireland	Irish Auditing & Accounting Supervisory Authority
Italy	Commissione Nazionale per le Società e la Borsa, CONSOB
Latvia	Latvijas Republikas Finanšu ministrija, Ministry of Finance of the Republic of Latvia
Lithuania	Audito apskaitos turto vertinimo ir nemokumo valdymo tarnyba, AVNT (Authority of audit accounting property valuation and insolvency management, AAAPVIM)
Luxembourg	Commission de Surveillance du Secteur Financier, CSSF
Malta	Accountancy Board
Netherlands	Autoriteit Financiële Markten, AFM (Dutch Authority for the Financial Markets)
Norway	Finanstilsynet (Financial Supervisory Authority of Norway, FSA)
Poland	Komisja Nadzoru Audytowego (Audit Oversight Commission)
Portugal	Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Commission, CMVM)
Romania	Autoritatea pentru Supravegherea Publica a Activitatii de Audit Statutar (ASPAAS) - Authority for Public Oversight of the Statutory Audit Activity (ASP)
Slovakia	Úrad pre dohľad nad výkonom auditu, UDVA (Auditing Oversight Authority)
Slovenia	Agencija za javni nadzor nad revidiranjem (Agency for Public Oversight of Auditing)
Spain	Instituto de Contabilidad y Auditoría de Cuentas, ICAC (Accounting and Auditing Institute)
Sweden	Revisorsinspektionen (Swedish Inspectorate of Auditors)
United Kingdom	Financial Reporting Council Limited, FRC

<sup>1</sup> Responses were not received from EU jurisdiction Croatia and not from EEA jurisdictions Iceland and Liechtenstein

## Notes

The statistics do not comprise of non-sanctioning decisions i.e. where the competent authority concluded that sanctioning was not necessary when the case was closed.

The statistics in section A2 are edited as explained in the footnotes. On page 9 there is an aggregated statistic on A2 and A3 to give a better view on the use of sanctions. In practice it is difficult to categorise sanctions into sections A2 and A3, because the difference between these two categories are vague. Also the criteria and the nature of the sanctions is not addressed in the survey. The criteria and nature for the use of sanctions is not defined in the AUD, but in the national provisions.

## Administrative measures and sanctions

The responses reflect the statistics of decisions on administrative measures and sanctions based on new legislation in the relevant jurisdiction by the competent authority in line with the ARD.

The respondents were asked to include also the administrative measures and sanctions which a delegated authority or body has imposed in line with the ARD on the basis of delegation of tasks (Art. 24 of the EU Regulation No. 537/2014).

The following general notes were made by some respondents:

**Estonia:** Information is provided for period 1 July 2018 to 30 June 2019.

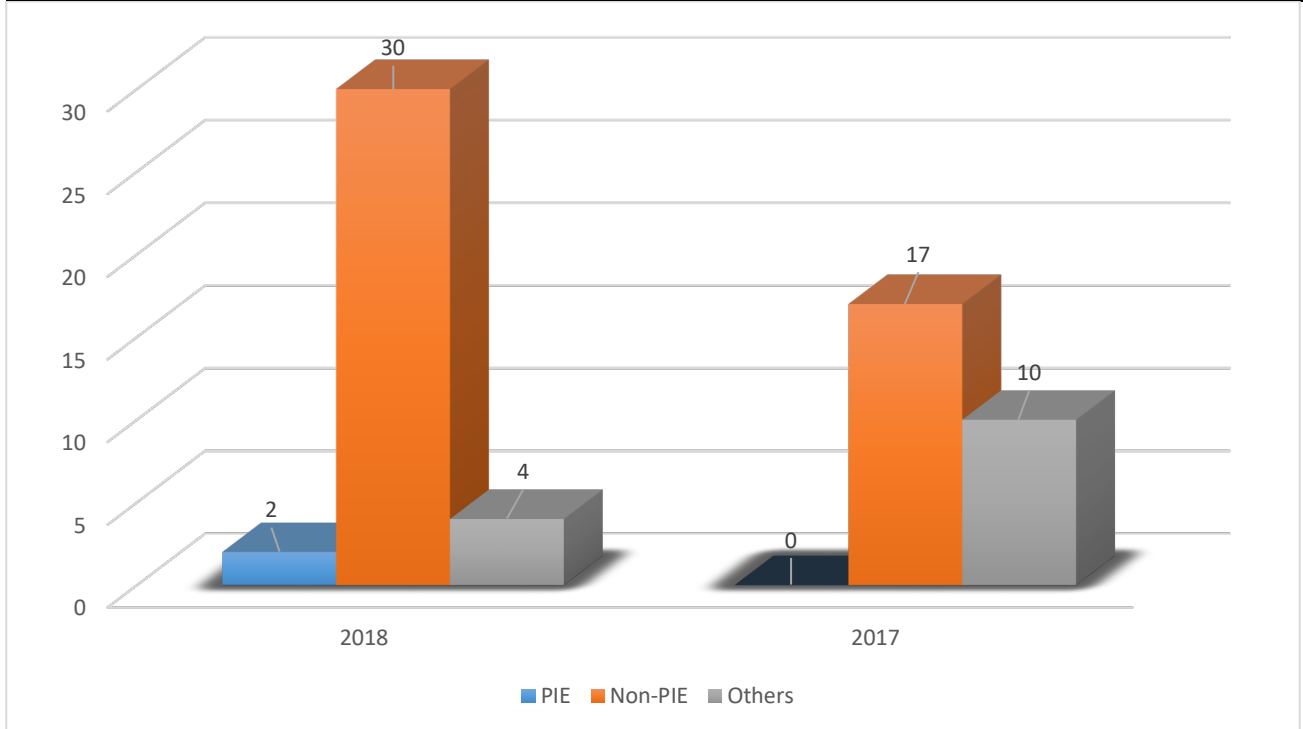
**Cyprus:** The CyPAOB has not imposed any administrative measures in the year 2018, since the Investigation of Disciplinary proceedings that were enacted in 2018 finished in 2019 and the CyPAOB has referred the cases to disciplinary proceedings for a hearing before the Disciplinary Committee of the CYPAOB. Please note that the CyPAOB's Disciplinary Committee has the power to impose disciplinary sanctions.

**Romania:** During 2018, the de facto reorganization of CSIPPC into ASPAAS took place, the norms that implement the provisions of Law no. 162/2017 which transposes the EU-AD into national law have been issued and the first actions were started.

## Statistical Representation of Administrative Measures and Sanctions in 2018 compared to 2017

### A.1 Withdrawal of approval (Art. 30 (3) of EU-AD)

2018	2017
<b>PIE 2</b>	<b>PIE 0</b>
<b>Non-PIE 30<sup>1</sup></b>	<b>Non-PIE 17</b>
<b>Others 4</b>	<b>Others 10</b>

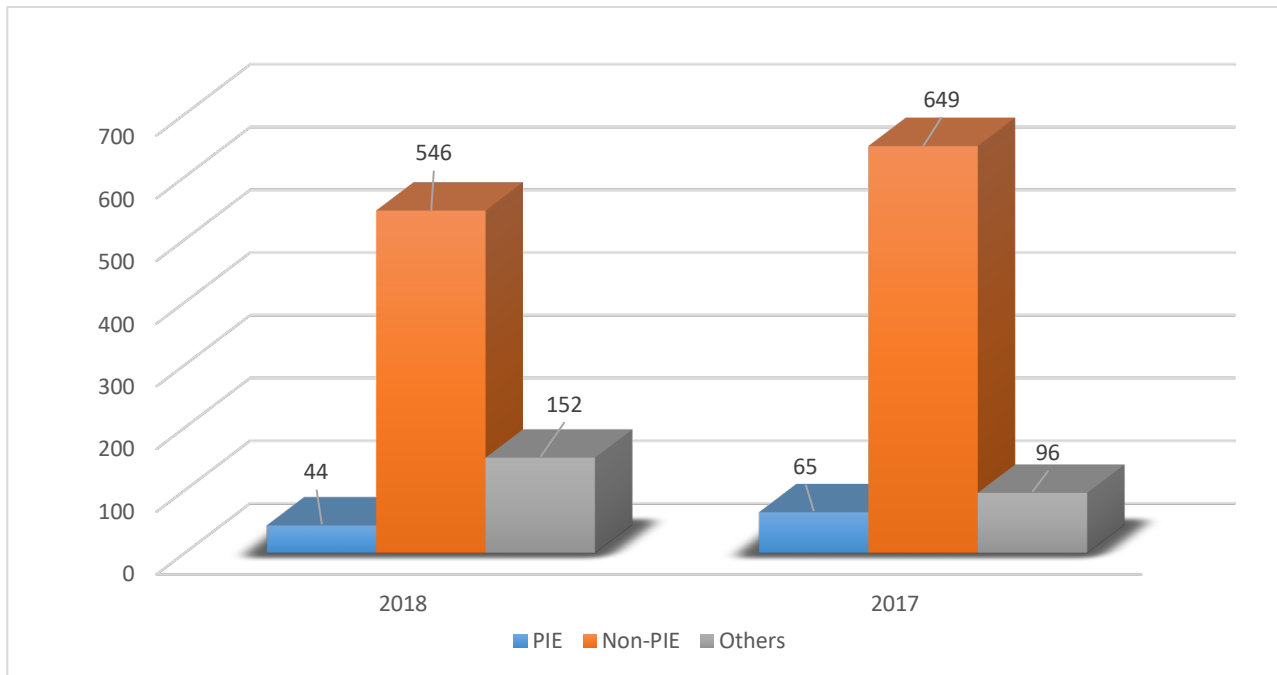


<sup>1</sup> Including section B "other" withdrawal of approval - 2 sanctions from Sweden and one removal of membership from UK.

## A.2 Notice (edited as explained in the footnotes)

Notice requiring the natural or legal person responsible for the breach to cease the conduct and to abstain from any repetition of that conduct Art. 30 a (1 a) EU-AD

2018	2017
PIE 44 <sup>2</sup>	PIE 65 <sup>3</sup>
Non-PIE 546 <sup>4</sup>	Non-PIE 649 <sup>5</sup>
Others 152 <sup>6</sup>	Others 96 <sup>7</sup>



<sup>2</sup> Including section B "other" sanctions Reprimand from Sweden 1, Warning Sweden 3, Lithuania 2, Public reprimand Norway 3, Call to order Belgium 4.

<sup>3</sup> Including section B "other" sanctions: Warning Cyprus 4, Finland 1, Sweden 2, Call to order Belgium 7, Reprimand Czech 4, Germany 2, Sweden 1, Public reprimand Norway 3.

<sup>4</sup> Including section B "other" sanctions: Reprimand Denmark 17, Czech 14, Sweden 4, Ireland 42, United Kingdom 19, warning Denmark 11, Sweden 28, Slovenia 2, Lithuania 4, public reprimand Czech 1 and Norway 13, caution Norway 8, severe reprimand Ireland 7, Call to order Belgium 22.

<sup>5</sup> Including section B "other" sanctions: Warning Finland 4, Latvia 2, Sweden 20, Romania 295, Call to order Belgium 14, Reprimand Czech 1, Estonia 1, Finland 2, Germany 15, Ireland 10, Sweden 11, Severe Reprimand United Kingdom 4, Public Reprimand Czech 10, Norway 7, Caution Norway 14.

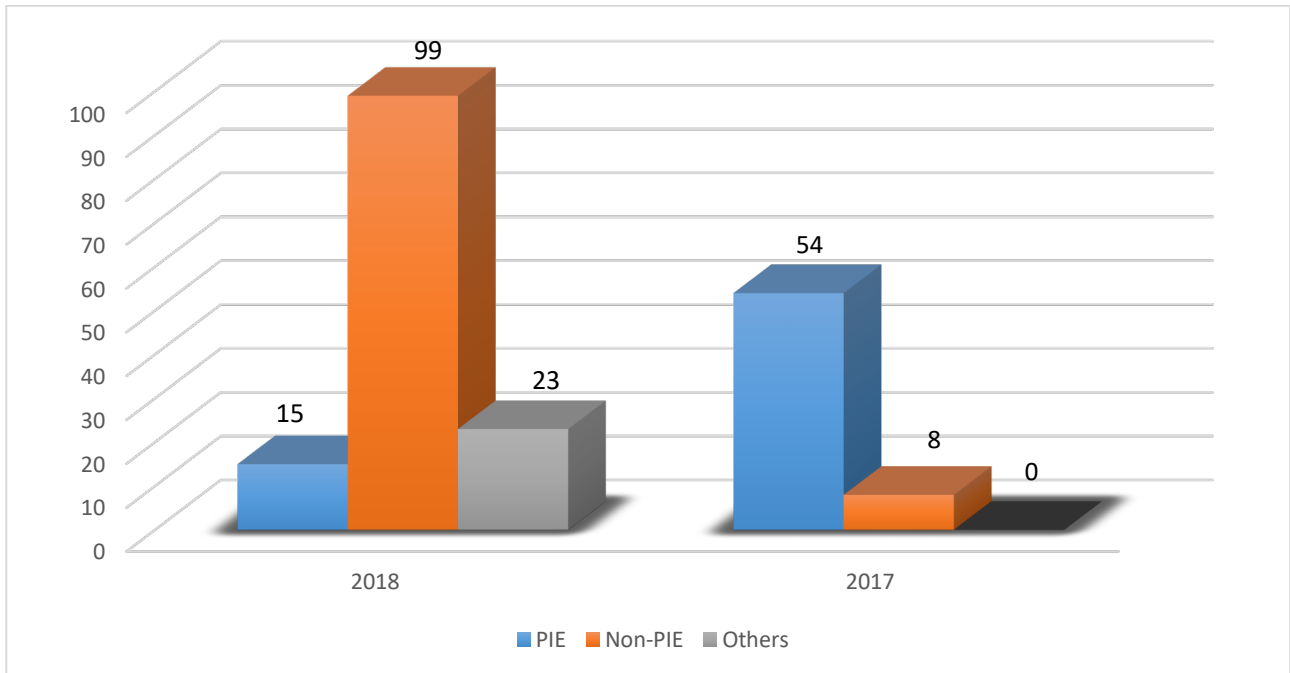
<sup>6</sup> Including section B "other" sanctions: Reprimand Czech 1, Denmark 17, United Kingdom 1, Severe reprimand Ireland 2.

<sup>7</sup> Including section B "other" sanctions: Warning Finland 10, Call to order Belgium 5, Reprimand Finland 2, Ireland 9, Severe reprimand United Kingdom 1.

### A.3 Public statement

A public statement which indicates the person responsible and the nature of the breach, published on the website of the competent authority (Art. 30 a (1 b) EU-AD)

2018	2017
<b>PIE 15</b>	<b>PIE 54</b>
<b>Non-PIE 99</b>	<b>Non-PIE 8</b>
<b>Others 23</b>	<b>Others 0</b>

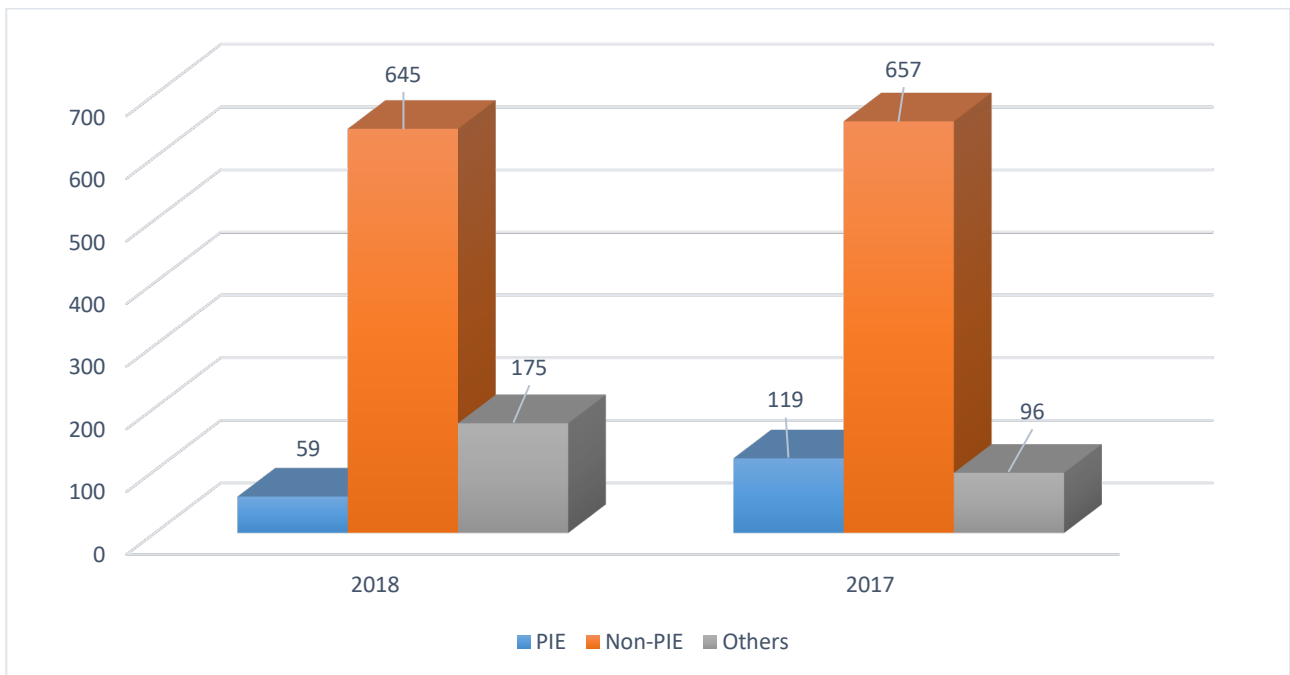




### A.2-3 Notice and Public Statement Combined (edits in footnotes A.2 apply)

On grass root level it is difficult to differentiate sanction categories “notice” and “public statement” from each other just by the title, without exact criteria for application. Thus it is more useful to examine those sanctions combined, as follows.

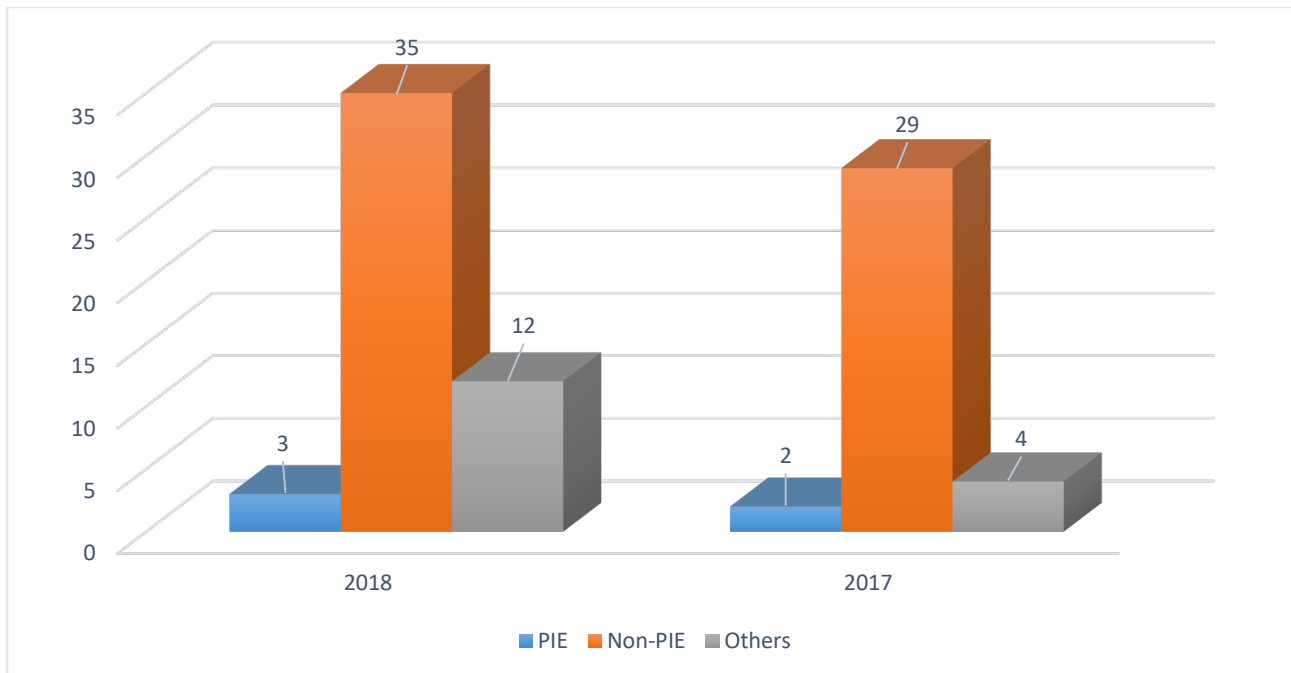
2018	2017
PIE 59	PIE 119
Non-PIE 645	Non-PIE 657
Others 175	Others 96



## A.4 Temporary prohibition

A temporary prohibition, of up to 3 years duration, banning the statutory auditor, the audit firm or the key audit partner from carrying out statutory audits and/or signing audit reports (Art. 30 a (1 c) EU-AD)

2018	2017
PIE 3	PIE 2
Non-PIE 35 <sup>8</sup>	Non-PIE 29
Others 12	Others 4

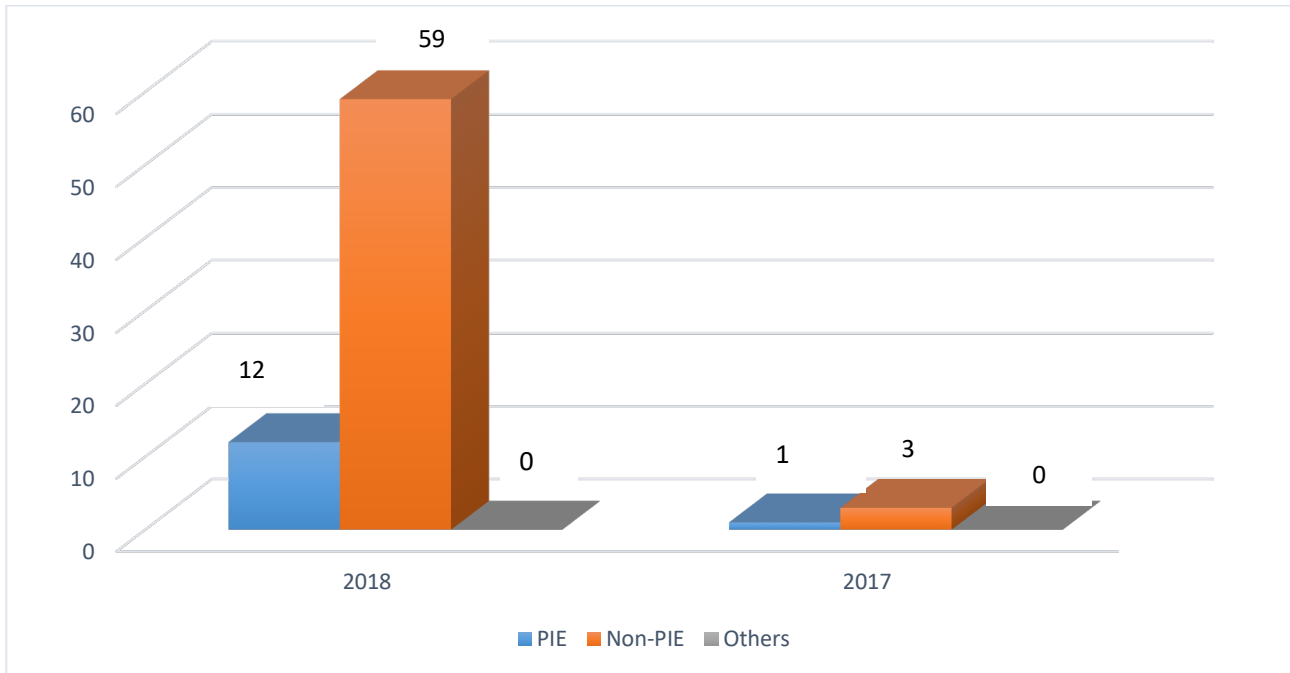


<sup>8</sup> Including section 8 "other" sanction Prohibition from performing audits on the entity: Spain 2

## A.5 Declaration that audit does not meet requirements

A declaration that the audit report does not meet the requirements of Art. 28 of EU-AD, or where applicable, Art. 10 of EU-AR (Art. 30 a (1 d) EU-AD)

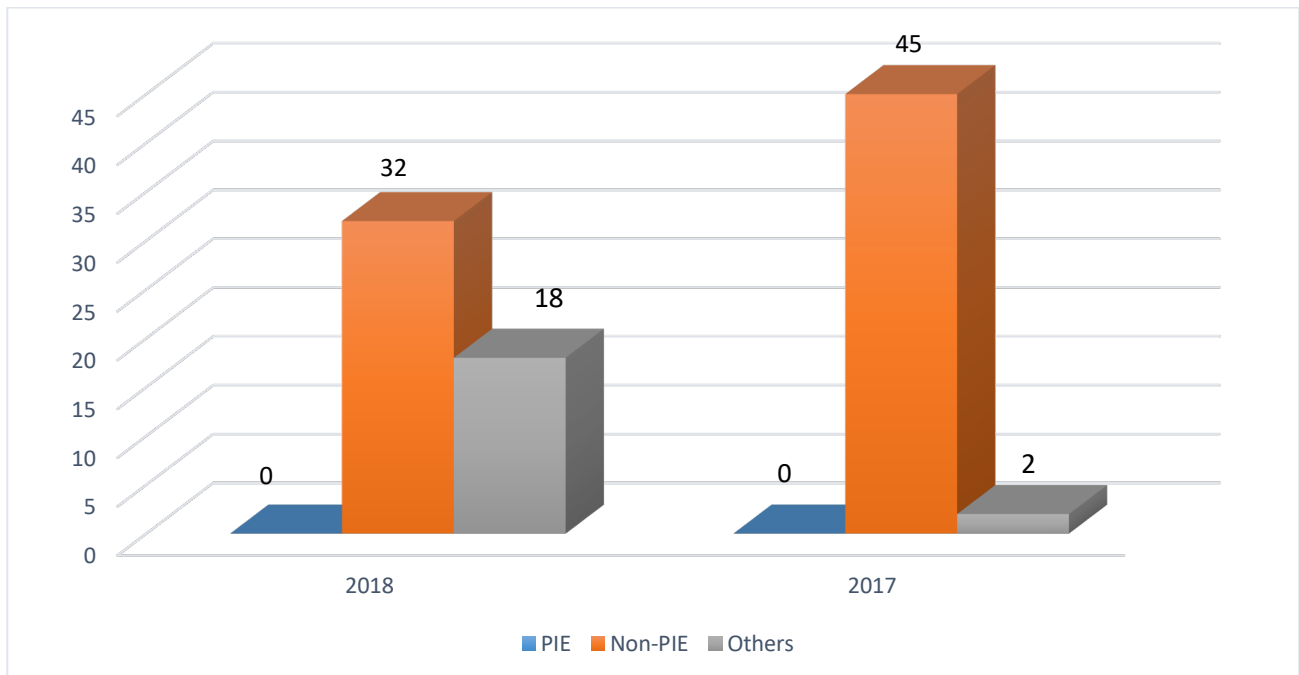
2018	2017
PIE 12	PIE 1
Non-PIE 59	Non-PIE 3
Others 0	Others 0



## A.6 Temporary prohibition sanctions

A temporary prohibition, for a certain duration, banning a member of an audit firm or a member of an administrative or management body of a PIE-entity from exercising functions in audit firms or public-interest entities (Art. 30 a (1 e) EU-AD)

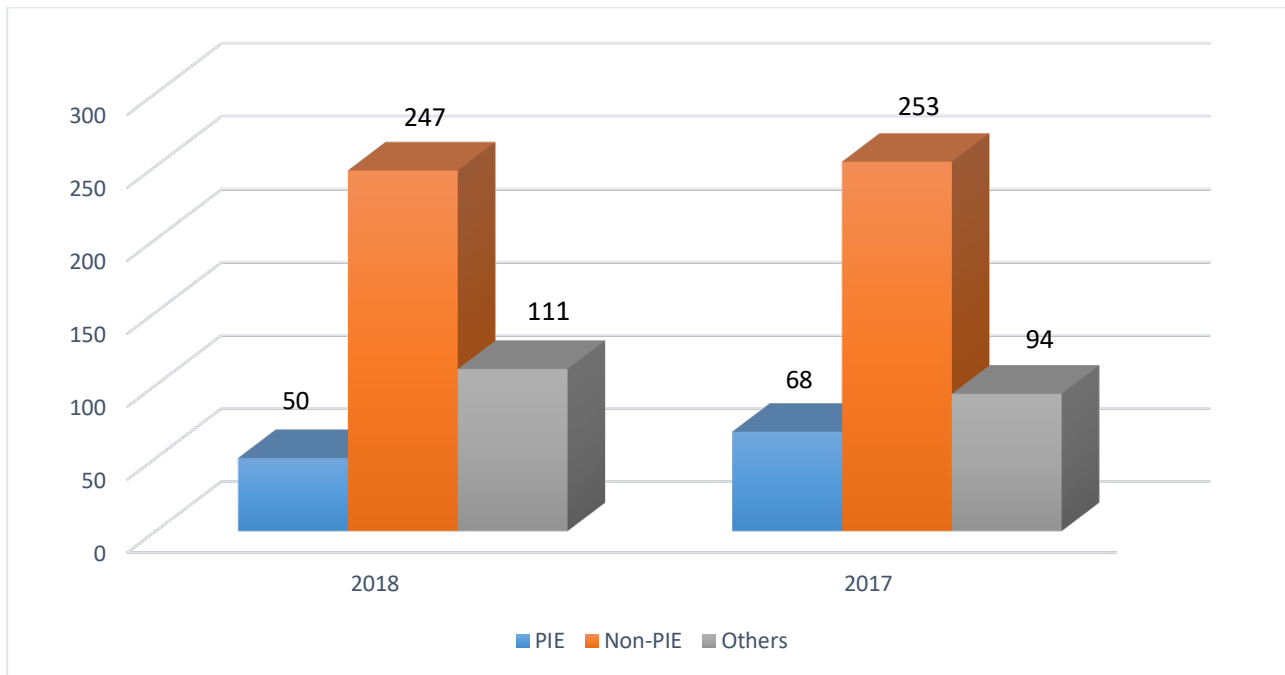
2018	2017
PIE 0	PIE 0
Non-PIE 32	Non-PIE 45
Others 18	Others 2



## A.7 Pecuniary sanctions

The imposition of administrative pecuniary sanctions on natural and legal persons (Art. 30 a (1 f) EU-AD)

2018	2017
PIE <b>50</b>	PIE <b>68</b>
Non-PIE <b>247<sup>9</sup></b>	Non-PIE <b>253</b>
Others <b>111</b>	Others <b>94</b>



<sup>9</sup> Including one section B “other” sanction: Fine together with referral to an additional professional examination, Estonia 1.

## B Other sanctions in 2018 (narrative information)

Any other administrative measures or sanctions which don't derive from EU-AD or EU-AR

### Ireland

There were 10 categories given: Note A: 3 Follow up audit monitoring inspections Note B: 5 Submission of confirmations / explanations Note C: 12 Submission of compliance reviews Note D: 1 Exclusion from membership Note E: 2 were A&L withdrawal and 3 were exclusions at DC Note F: 7 Submission of CPD information Note G: 1 Restriction (Non-financial restrictions were imposed on one firm following an audit monitoring inspection prohibiting it from accepting new audit clients or carrying out compliance reviews for other firms without first obtaining permission from the RABs audit registration committee).

Condition: Ireland 7. Non-financial conditions were imposed on one firm following an audit monitoring inspection requiring it to (1) arrange external hot file reviews of all audits in future, (2) obtain an external review of its compliance with whole-firm procedures, (3) provide the RAB with various confirmations regarding its future audit work

### Italy

Temporary Prohibition due to negligence for payment of annual fees due to the Ministry of Finance for the management of the Auditors' public register 2.

During 2018, Ministry of Finance issued 2 decrees, temporary suspending 14 400 statutory auditors in total because they didn't pay the annual fees to the Ministry of Finance for the maintenance of the auditors' public register.

Administrative pecuniary sanction for non-audit service breach on documentation for independence audit procedures: PIE 1

### Hungary

Mandatory Participation in advanced training: PIE 5, non-PIE 94

### Lithuania

Assignment to the audit firm to eliminate identified deficiencies: PIE 1, non-PIE 2.

Assignment to auditor to additionally develop his professional qualifications: PIE 1, non-PIE 7

### Luxembourg

Close follow-up: non-PIE 8

### United Kingdom

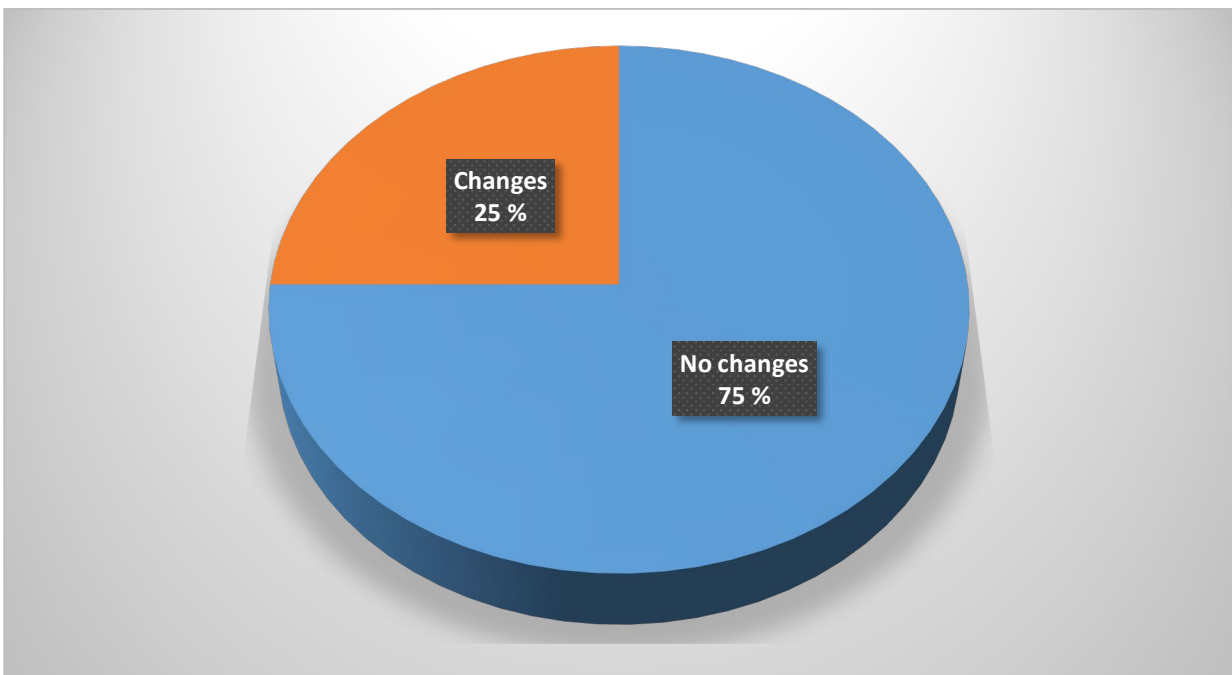
Condition: non-PIE 150. These sanctions were imposed by the delegated bodies. The conditions comprise external file reviews, external compliance reviews, follow-up audit monitoring visits, submitting CPR/CPD information and confirmations / explanations.

## C Enforcement Organisation

### C.1 Developments and changes

*Has there recently been any major developments or changes in your auditor oversight legislation or in the auditor oversight organisation (such as changes in structure, powers, financing, expansion or reduced oversight duties etc.)*

Changes in legislation or organisation	Responses
No. There has not been any major developments or changes	21
Yes. There has been major developments or changes.	7



**Comments** (from those who responded yes, there have been changes):

### **Ireland**

The Companies (Statutory Audits) Act, 2018 completed Ireland's transposition of amendments to Directive 2006/43/EC and of Regulation 537/2014. While continuing to recognise the Institute of Chartered Accountants in Ireland as a 'delegated body', this legislation completed the process of formalising relationships between IAASA and delegated bodies.

### **Latvia**

1. Since March 27, 2019, the Latvian Association of Sworn Auditors has a new unit - the Standing Committee, which supervises the enforcement of the AML and sanctions requirements in the work of sworn auditors and commercial companies of sworn auditors.

2. The Latvian Association of Sworn Auditors has adopted several new regulations, which prescribe supervision measures to be taken in respect to the sworn auditors and commercial companies of sworn auditors including the application of sanctions.

3. The Law on International Sanctions and National Sanctions of the Republic of Latvia has been amended. Since July 4, 2019 the Latvian Association of Sworn Auditors, as the competent authority, shall supervise the enforcement of the restrictions imposed by international and national sanctions in the work of sworn auditors and commercial companies of sworn auditors and develop procedures which a sworn auditor and a commercial company of sworn auditors must implement in order to ensure the fulfillment of the requirements of this Law.

### **Netherlands**

On July 1, 2018 the Audit Firms (Additional Measures) Act (Wet aanvullende maatregelen accountantsorganisaties) and its Decree entered into force. The most important changes are: - Independent supervisory board at highest level of organisation established in The Netherlands (PIE-audit firms) - Suitability assessment of executive board members and supervisory board members (PIE-audit firms) - Obligation to remediate deficiencies in statutory audits - Obligation for PIE audit firms to share AFM's principal inspections findings and conclusions to audit clients who are PIEs.

### **Portugal**

During fiscal year 2018, CMVM review the law 148/2015 (Framework of Audit Supervision). The new Law are under revision by the Portuguese government. The new Law will change some aspects related to definition of concepts and criteria of PIE.

### **Slovenia**

In January 2019 amended Audit act entered into force. APOA has become NCA with complete powers regarding auditing (complete oversight and sanctioning, licencing, education) and no powers are delegated to professional body any more. Also financing has changed after amended Audit act entered into force and in 2019 APOA is financed app. half from state budget and half from the oversight fee in percentage of audit companies income.

### **Romania**

Pursuant to Law no. 162/2017 transposing EU-AD, during 2018 took place the de facto reorganization of CSIPPC in ASPAAS, the national competent authority in the field of regulation and oversight of statutory audit. This process has led to changes in structure, powers, financing, as well as oversight duties.



## **United Kingdom**

In 2018, an independent review of the FRC was commissioned by the UK government. As a result of the recommendations of that review, the FRC will transition into a new organization, ARGAs (the Audit, Reporting and Governance Authority), and the government is undergoing a process of consulting on and implementing recommendations stemming from the review.

Delegated body (Chartered Accountants Ireland): The Companies (Statutory Audits) Act, 2018 completed Ireland's transposition of amendments to Directive 2006/43/EC and of Regulation 537/2014. While continuing to recognise the Institute of Chartered Accountants in Ireland as a 'delegated body', this legislation completed the process of formalising relationships between IAASA and delegated bodies.

## C.2 Number of PIEs

*What is the number of PIE entities in your jurisdiction? e = estimate*

EEA State	Number of PIEs
Austria	203
Belgium	309
Bulgaria	470 e
Cyprus	146
Czech Republic	158 e
Denmark	337
Estonia	38
Finland	420 e
France	1720 e
Germany	1070
Greece	254
Hungary	128
Ireland	751 e
Italy	900
Latvia	81
Lithuania	156
Luxembourg	400 e
Malta	142
Netherlands	723
Norway	13
Poland	1308
Portugal	1095
Romania	859 e
Slovakia	170
Slovenia	66
Spain	1452
Sweden	696
United Kingdom	2000 e

### C.3 Capacity of the auditor oversight organisation

*What is the capacity of your auditor oversight organisation (NCA and/or delegated body combined)?*

*Please respond by indicating for instance the number of staff, number of processed/opened and closed cases in a year, annual budget in euros or similar indicators / relevant descriptive information. Kindly provide a description of the resources (human, financial etc.) allocated by your auditor oversight organisation to investigations, inspections and other audit oversight functions. Distinguish the resources for PIE and non-PIE oversight where applicable.*

**Note:** *The information in the table below is indicative, because in many jurisdictions it is not possible to separate resources of auditor oversight function from other functions. In some jurisdictions the staff of the NCA has multiple tasks, which cover other than auditor oversight tasks. In some jurisdictions auditor oversight is an independent organisation while in other jurisdictions it is an element of a larger organisation. Additionally note that the case "opened case" and "closed case" can mean different things in member states.*

EEA State	Number of staff dedicated to auditor oversight	Budget for the auditor oversight organisation	Other information-year 2018
Austria	10	1,468 M€	-
Belgium	12	2,9 M€	94 cases closed
Bulgaria	28	0,737 M€	9 cases opened
Cyprus	2	0,889 M€	3 closed cases
Czech Republic	7	N/A	-
Denmark	11	See comments	See comments
Estonia	4	0,455 M€	22 cases opened, 14 cases closed.
Finland	11	See comments	50 closed cases
France	47	12,8 M€	See comments
Germany	See comments	See comments	See comments
Greece	7	0,9 M€	-
Hungary	5	0,238 M€	See comments
Ireland	41	See comments	See comments
Italy	See comments	See comments	See comments
Latvia	See comments	See comments	See comments

Lithuania	10	-	4 cases closed
Luxembourg	10	2,4 M€	-
Malta	6	-	-
Netherlands	45	11 M€	-
Norway	11	-	-
Poland	28	1 M€	75 closed cases
Portugal	14	-	-
Romania	7	0,158 M€	1 case closed
Slovakia	14	-	2 cases closed
Slovenia	7	0,4 M€	-
Spain	30	1,9 M€	63 closed cases
Sweden	24	4 M€	100 cases
United Kingdom	111	See comments	See comments

## Comments

### Austria

The AOBA is the competent Authority for public audit oversight in Austria. It is independent and acts free from instructions under legal supervision of the Austrian Federal Ministry of Finance. The responsibilities of the authority include such as the implementation of Quality Assurance Reviews, registration of statutory auditors and audit firms, inspections and investigations, imposition of sanctions etc.

The annual budget for 2018 amounted 1,468 M€. In 2018 the AOBA had 10 employees, consisting of 2 board members, 1 board assistant, 4 legal consultants and 3 inspectors. The board members are appointed by the Federal Government on the basis of a recommendation by the Supervisory Board for a period of 5 years.

### Belgium

Please note that a number of tasks are delegated to another authority (Instituut van de Bedrijfsrevisoren - Institut des Réviseurs d'Entreprises) Number of opened cases: 62 Number of closed cases: 94 Annual budget: +- EUR 2.9 million

### Bulgaria

28 people work at CPOSA in 2018. 15 of them are inspectors. The annual budget for 2018 was 737 948 EURO. 9 cases were opened. 3 cases were processed. Closed 0.

## Cyprus

The CyPAOB through its Board is responsible for the supervision of statutory auditors and statutory audit firms established in Cyprus. The Board of Directors consists of the Chairwoman, the Vice Chairman and five members. In addition there is a separate Disciplinary Committee, which consists of the Chairman (former judge or at least District Court President or a Lawyer qualified to be appointed as Supreme Court Judge) and two Members. The Cyprus Public Audit Oversight Board currently consists of 2 persons - an Acting General Manager and an Officer. The Acting General Manager role regarding the Disciplinary case is important because upon completion of the investigation by the investigating officer prepares a report regarding the Disciplinary case where he/she deems if the case should be referred to the Disciplinary Committee due to the adverse effect of the audit quality and submits the report to the Chairman of the Board and after the approval by the Board of Directors the case is forwarded to the Disciplinary Committee. In addition, the CyPAOB has two Inspectors who are responsible for the inspections of the PIE Audit Firms. As it concerns the non - PIE Audit Firm inspections these are allocated to the Institute of Certified Public Accountants of Cyprus (Recognised Body) with a Delegation Agreement signed on the 12/9/2017.

During 2018 3 disciplinary cases were enacted, 2 of them concerning PIE Audit Firms (4 investigation matters in total) enacted after inspection findings and one from a referral from another National Authority concerning a non-Pie Audit firm whose investigation completed recently within 2019 and the case was closed. The 2 of the disciplinary cases concerning the PIE Auditors are currently before the Disciplinary Committee for relevant decisions to be taken or relevant sanctions to be imposed. These are the first disciplinary cases for CYPAOB. The CyPAOB's total Budget for the year 2018 amounted to €889.318, from which €210.000 for inspections, €35.000 for investigations and the remaining for the other audit oversight functions. The provision for investigations has increased in 2019 since the investigations started during 2018 after the findings from the inspection process and in 2019 the disciplinary proceedings are expected to increase.

## Czech

The PAOB is responsible for inspections and enforcement regarding PIE-auditors. The other inspections and also disciplinary sanctions are in the competence of the Chamber of Auditors (8 inspectors, 193 inspections finished in 2018). The inspection team of the PAOB is composed of 7 employees who closely cooperate with the Inspection Committee (this 5-people-body approves the inspection plan and formally also the result of every inspection). The PAOB finished 18 inspections in 2018.

As for sanctioning the Disciplinary Committee of the PAOB (5 members) can use the legal support of a lawyer (an employee of the PAOB). This body did not start any process during 2018, first cases were decided during 2019. Similar committee (7 members) exists also at the Chamber and is supported by two lawyers (both are employees of the Chamber). This body received 28 applications to initiate proceedings in 2018.

## Denmark

Erhvervsstyrelsen is directly responsible for the inspection and investigation of both PIE and non-PIE auditors. Sanctioning is delegated to an independent body (Revisornævnet). Erhvervsstyrelsen has 11 employees working with inspections and investigations; 5 PIE inspectors, Non-PIE inspections: 3 employees and Investigation: 3 employees. The budget for inspections and investigations is approximately 1,5 million €. The budget for Revisornævnet is approximately 325 000 €. In 2018 Erhvervsstyrelsen closed 56 inspections and 48 investigations.

## Estonia

We have four employees: two quality control specialists, a supervision specialist and a lawyer. Auditing Activities Oversight Board has been two years as a real supervision authority (independent from the Auditors Association). Key issues of the Oversight board had regarding the new powers:- building identity - new website,- new internal procedures,- ca 35-40 quality controls per year, - suitability of the auditor,- litigations,- exam questions/answers,- fines/revoke of the license. Field of the oversight:- 343 sworn auditors,- 138 audit companies,- total revenue of the sector is ca 30 million euros.

## Finland

The Auditor Oversight Unit within the Finnish Patent and Registration Office has an annual budget of ca 3,1 M€. The total staff of the unit is ca 18. Of them 11 persons are occupied with auditor oversight tasks. The sanctioning decisions are made by the Audit Board, which consists of outside/non-staff experts, totally chair, vice chair + 7 persons.

## France

In 2018 the H3C total staff working with audit oversight included approximately 47 employees. The investigation and enforcement team was composed of 7 staff members with a dedicated budget of 1 842 799€. Based on our 2018 year-end figures, there were 51 new investigations open and 127 investigations completed after the H3C 9-Member Board Panel's decision, including (i) 121 cases closed at the end of the investigation process which therefore did not lead to the opening of the sanctioning process and (ii) 6 cases which lead to the opening of the sanctioning process. Those 6 cases will be judged by the H3C 5-Member Board Panel. At the end of the 2018 year, there were 116 ongoing investigations and 5 ongoing sanction proceeding.

## Germany

The Audit Oversight Body (AOB) is directly responsible for inspections and enforcement regarding PIE-audits. Other functions of auditor oversight are delegated to the chamber of public accountants (WPK). The budget of the AOB is part of the budget of the Federal Office for Economic Affairs and Export Control. About 50 people are working for the AOB, most of them professional accountants and lawyers. The AOB consists of the directorates Inspections and Quality Assurance as well as Enforcement and Market Monitoring with a staff of around 25 people for each directorate. In 2018 the AOB opened 113 and concluded 22 enforcement cases. At the end of 2018 there were 206 open cases. The WPK, which is responsible for Non-PIE-audits, has a staff of around 120 people. Around 35 of these are working in the enforcement unit and the quality assurance unit. In 2018 the WPK opened 166 and concluded 158 enforcement cases.

## Hungary

Hungarian Auditors' Public Oversight Authority (PIE oversight) Number of staff: full-time staff: 5. Part-time staff: 3. Experts (they may be assigned if it is needed, with a contract of services): 1. Persons with special expertise for quality assurance (they may be assigned if it is needed, with a contract of services): 7. Quality control inspector (they may be assigned if it is needed, with a contract of services): 19. Number of processed/opened and closed cases in 2018: 941. Quality control: 29 qualifications: 99 withdrawal of qualifications: 471. Certificate of audit activities, authorization granted to economic operators (entities) to carry out statutory audits: 51. Withdrawal of the certificate, authorization: 241. Quality control, second instance: 4. Bank certification: 36. Annual budget in euros: 75 000 000 HUF = 238 087 EUR. Delegated

bodies Quality Control Committee of the Chamber of Hungarian Auditors (non-PIE oversight) Number of staff: Members: 5. Quality control inspector: 56. Number of processed/opened and closed cases in 2018: 939. Annual budget in euros: 60 238 000 HUF = 191 225 EUR. Disciplinary Committee of the Chamber of Hungarian Auditors (non-PIE oversight) Number of staff: Members: 5. Number of processed/opened and closed cases in 2018: 111. Its annual budget is part of the Chamber of Hungarian Auditors' annual budget.

## **Ireland**

There are 5 organisations data filled in to this survey, 4 have chosen to answer this question with details:  
 Note 1: We have 12 full-time employees working in audit regulation (albeit, some of these employees have duties outside audit). We have an annual audit regulation budget of £475k (which is not distinguished between PIE and non-PIE audit) Note 2: We have no PIE relevant members. Resources: Number of staff worldwide = 1,358, Number of staff involved in investigations, inspections and other audit oversight functions - Practice monitoring 24, Authorisation 17, Regulation 30, Licensing compliance 8, Assessment & investigations 26. Budget Information: Total income for the body = £202,000; Total costs for the body = £211,000; Open/closed cases 13 closed Irish audit cases. Note 3: The Institute's audit oversight function is a significant element of the Institute's general regulatory activity undertaken by its Professional Standards Department. The Institute does not analyse separately resources allocated to audit oversight. Rather, the Institute's Professional Standards Department is funded on a global basis from regulatory fees and a contribution from Institute central funds. For the year ended December 2018, the total costs amounted to €4.8m. The total number of staff deployed in Professional Standards Dept in 2018 amounted to 33. Of this total, 8 people were employed in investigation and discipline, 9 were employed in QA inspections and the balance was employed in general regulatory functions including audit oversight activities Note 4: Our audit investigation team comprises 3 full-time and 5 part time individuals totaling 214 hours per week.

## **Italy**

CONSOB is the Competent Authority for the purposes of Art. 20 of the EU Regulation n. 537/2014 and is responsible for the oversight of PIE auditors. In the transposition of the Dir. n. 2014/56/UE, the definition of PIE has not been widened with respect to minimum definition of the directive (eg. companies whose transferable securities are admitted to trading on a regulated market, credit institutions and insurance undertakings), but it has been introduced a new category of entities (ESRIs – basically financial intermediaries and asset management companies) to whom some of the PIE rules apply. CONSOB is also responsible for the oversight of ESRIs. CONSOB is financed by the market ground (public issuers, PIEs, financial intermediaries) amounting to 85 million euros and by auditors and audit firms, based on the revenues from the statutory audits performed (around 15 million euros in 2018). The 'Oversight of Statutory Audit' Unit is made up of 19 people, most of them having an audit professional background, performing both inspections and investigations. Depending on many and different factors, the Office opens and closes around 4-6 investigations per year, also supporting the legal department when the sanctions are appealed by the audit firms by the Court.

## **Latvia**

NCA (Ministry of Finance) – Number of staff (Commercial Companies Audit Policy and Supervision Division) – 5 employees (incl. 2 inspectors and 2 legal counsels), Annual budget approx. 155,0 TEUR – the total costs for employing staff (including wages, social security contributions etc.). NCA has 8 closed administrative cases in 2018. In the Latvian Association of Sworn Auditors the oversight activities are carried out by: 1) 13 quality controllers; 2) AML specialist; 3) Quality Committee - 7 members; 4) Ethics Committee - 5 members; 5) AML Committee - 5 members; 6) LASA Board - 7 members; 7) Executive Director of LASA. In 2018, a number of cases were investigated comprising three cases initiated and two cases closed without sanctions.

## Lithuania

NCA audit oversight division consists of 6 specialist (4 of them partly works with audit inspections and investigations). There are 4 auditors controllers, who perform audit quality reviews of non-PIE auditors (audit firms) on behalf of Chamber of auditors. In 2018 there were launched 3 audit inspections, 2 audit inspections, launched in 2017, were finalised. 4 audit investigations were launched and finalised in 2018. There were 43 audit firm and 50 auditors included in the non-PIE audit quality review plan of 2018, and 16 audit firms and 20 auditors reviews finalised in 2018.

## Luxembourg

Audit oversight staff is composed of 9 inspectors performing both inspections and investigations, one IT specialist and one administrative staff. Beside, being part of an organisation which encompasses also the prudential supervision of the financial sector, recourse to internal lawyers and internal valuation experts is possible. The public oversight of the audit profession is dealing with PIE and non-PIE auditors.

## Malta

The Accountancy Board (“the Board”) has a Quality Assurance Unit (“QAU”), which acts on behalf of the Board in the implementation and supervision of the quality assurance process, The QAU conducts visits to both PIE auditors and non-PIE auditors (16 visits in 2018), with visits to PIE auditors being every three years while visits to non-Pie auditors being held every 6 years. All funding necessary (2018 Budget ca € 600,000) is raised through a combination of fees (ca 45%) imposed by the Board and the remainder (ca 55%) being funded by the Ministry for Finance. At the end of 2018, the QAU staff complement included the Head of Unit as well as three full-time reviewers and another two administrative assistants. A different Sub-Committee of the Board deals with other investigations and complaints as necessary.

## Netherlands

As per the AFM 2018 Annual Report the Audit and Reporting Quality Division (responsible for audit oversight and financial reporting surveillance) amounts 45 full time equivalent, the majority of this is allocated to audit oversight. In terms of costs: all costs are levied to the market. For 2019, the estimated costs of audit oversight to be recovered amounts € 11.6 million, excluding fees for (mainly) integrity testing and suitability testing.

## Norway

The FSA has 7 audit inspectors which is partly assisted by 4 lawyers. In 2018 the FSA had 80 signal cases and 16 on-site inspections.

## Poland

Number of staff Office of the Audit Oversight Commission: 28 (management staff 4, inspectors 6, lawyers 2, other employees 16); number of staff Office of the Polish Chamber of Statutory Auditors: 36 (management staff 6, permanent inspectors 1, lawyers 3, other employees 16); Audit Oversight Commission: revenues in 2018: 1 057 460, 87 Euros, expenditures in 2018: 872 360, 38 Euros, Polish Chamber of Statutory Auditors: Revenues in 2018: 2 267 316, 58 Euros Expenditures in 2018: 1 721 535, 32 Euros, number of processed/opened and closed cases concerning audit firms in a year: 19 cases were processed and 9 cases were closed, number of processed/opened and closed cases concerning statutory auditors in a year: 78 cases were processed /opened and 66 cases were closed.



## Portugal

The average number of staff allocated to investigations, inspections and other audit oversight functions was 14.

## Romania

Total annual budget, of which: € 562,135 - for investigations, inspections and other audit oversight functions: € 158,244. Total number of staff, of which: 13 - for investigations, inspections and other audit oversight functions: 7. Total number of inspections, of which: 6 - completed: 0. Total number of investigations, of which: 2 - completed: 0. Total number of other audit oversight functions, of which: 2 - completed: 1.

## Slovakia

NCA (Auditing Oversight Authority, focused on PIEs): opened enforcement cases: 6. Closed enforcement cases: 2. Number of members of the Committee for Investigation and Sanctions: 7 (+ 1 admin support) Inspections: statutory audit engagements inspected: 19 (11 PIEs, 8 non-PIEs) audit firms/sole practitioners for which firm-wide procedures were inspected: 13 (PIEs) number of inspectors: 6 full-time equivalents number of members of the audit quality assurance committee: 6. Delegated body (Slovak Chamber of Auditors, only non-PIE): opened enforcement cases: 9 closed enforcement cases: 8. Number of members of the Commission for Investigation and Sanctions: 5. Inspections: Number of inspections (non-PIE): 85. Number of members of the audit quality assurance committee: 5. Number of inspectors: 23 (probably part-time).

## Slovenia

APOA has eight employees (increased from seven in the previous years). Now there are four inspectors. In 2018 APOA had budget € 403.584 and in 2019 € 575.000. Since EU-RE entered into force APOA conducted 7 inspections of audit companies (PIE auditors) and 41 audit files. In the last year APOA conducted 4 inspections of audit companies (PIE auditors) and 22 audit files. Till 2018 inspections were also provided by professional body.

## Spain

The number of staff for inspections and investigations was 20 (16 civil servants and 4 engaged specialists). 15 out of them were devoted to PIE inspections, 3 to investigations, and 2 to both, inspections and investigations. Besides, ICAC in 2018 contracted the professional bodies to assist ICAC in investigating, mainly non-PIE audit engagements and continuous education requirements. In addition, the number of staff in the sanctioning department was 10.

The number of sanctioning proceedings closed in 2018, corresponding both the new and the former provisions, was 63 (2 out of them related to PIE and, 13 to non-PIE, and most of the rest were related to under-reporting).

The annual budget for the above mentioned audit oversight staff (30 people) was 1.915.321, 24 € in 2018.

## Sweden

NCA Staff 24 (enforcement and inspections) Budget ~4 MEuro. Cases (enforcement) ~100. Inspections (only PIE:s) 4

## United Kingdom

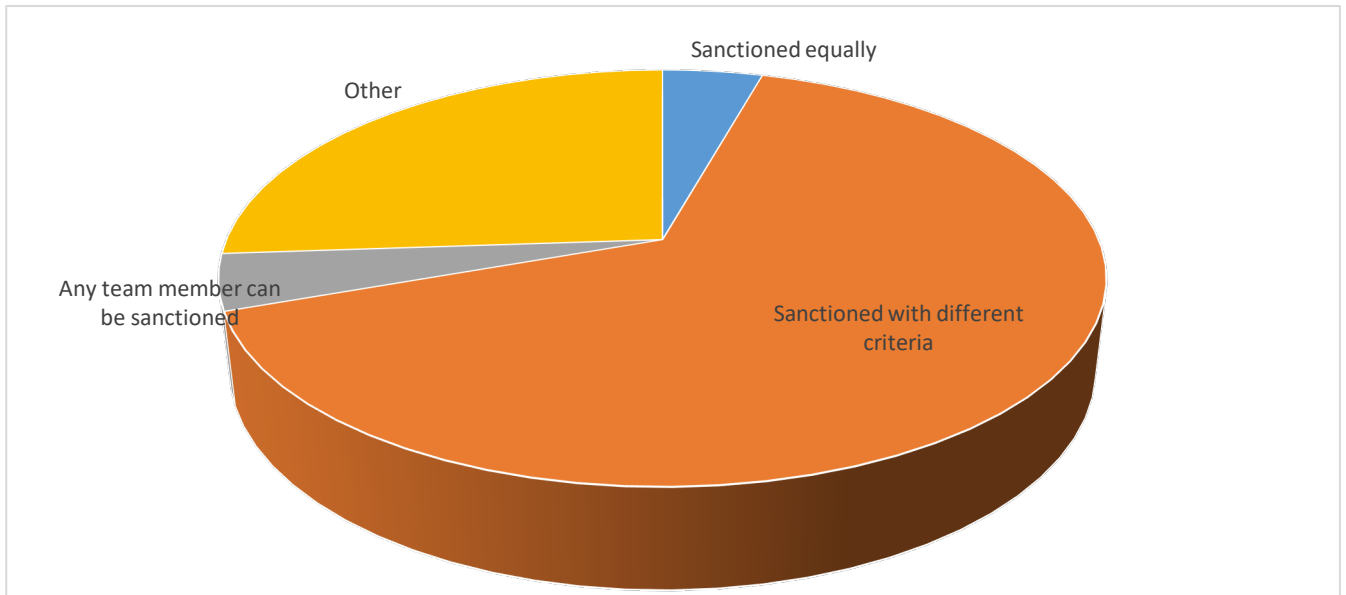
FRC is the NCA and has approximately 210 staff in total, which is expected to increase by 40% over the next year. The FRC has responsibilities for corporate reporting and corporate governance as well as audit oversight. An approximate breakdown of staff by relevant team in relation to audit oversight is as follows: Enforcement – 40 (not exclusively audit oversight). Professional oversight – 20 (not exclusively audit oversight) Audit and assurance (standards) – 11. Inspections – 40. The 2019/20 budget for the FRC is £37.8m. This has been allocated as follows: £9.7m to Inspections; £2.1m to audit and assurance standards; £1.2m audit firm monitoring and supervision; £2.8m to professional oversight; £3.3m to core enforcement costs (with a further £5.5m for case costs). In the year ended 31 March 2019: 12 new investigations were opened by Enforcement. There were 26 open enforcement investigations, including 4 delegated cases. Approximately 160 inspections conducted. The FRC delegates non-PIE audit oversight to 4 delegated bodies. Those delegated bodies also have other responsibilities for example over the accountancy profession and therefore it is not possible to outline their capacity solely in relation to audit oversight.

## D Enforcement Process

### D.1 Audit firm and Statutory Auditor measures and sanctions compared

*When imposing administrative measures or sanctions, how does your enforcement organisation (NCA and/or delegated body) address administrative measures and sanctions in relation to the audit firm and the statutory auditor (natural person, such as the signing auditor/signing audit partner/key auditor)?*

Number of responses	Chosen option
1	Both audit firm and auditor would be sanctioned equally.
15	Audit firm and the signing auditor would be sanctioned on different criteria.
1	In audit failures only the auditor (natural person) could be sanctioned.
1	In audit failures any member of the audit team or the EQCR partner could be investigated and sanctioned.
6	Other



## Comments

### Austria

The AOBA examines each suspicion on a case-by-case basis which is also the basis for the imposition of administrative measures and sanctions. In general the audit firm and auditor would be sanctioned equally but a pecuniary sanction can only be imposed on the natural person.

### Czech

Audit firm is responsible for not preventing a statutory auditor from breaching the relevant binding rules (law, standards etc.).

### Cyprus

In cases of audit failures arising from CyPAOB's investigations, the cases will be referred to disciplinary proceedings for a hearing before the Disciplinary Committee of the CyPAOB which is the responsible body for the imposition of administrative measures. In audit failures the Audit firm, the Director of the Audit Firm, the Signing auditor and the EQCR Partner (depending on the circumstances) would be investigated and sanctioned.

The maximum sanctions for Audit firms is €1.000.000 and for statutory auditors €100.000 and the amount to be sanctioned is decided by the Disciplinary Committee by taking into account the gravity and duration of the breach, degree of responsibility of responsible person, financial strength of responsible person, amount of profits gained or losses avoided by the responsible person, level of cooperation or previous breaches. In the case of recurrence for audit firms the pecuniary fine can rise up to €2.000.000. In the case of recurrence for individual auditors the pecuniary fine can rise up to €200.000.

There is possibility to extend a disciplinary investigation to other statutory auditors or audit firms if during the course of the disciplinary investigation of any case it is established that there is a scope for such extension.

**Denmark**

Typically only the auditor (natural person) will be sanctioned in audit failures - But we can sanction the audit firm.

**Estonia**

Only audit firms will be sanctioned for violations identified by quality control. The auditor will be sanctioned for violations of the failure to comply with the training obligation or for failure to submit an activity report.

**France**

Both audit firm and auditor would be equally sanctioned, including "auditor" in the meaning of "signing partner" and excluding "associated person".

**Germany**

The AOB may only impose sanctions on professional accountants in public practice (auditors) or audit firms. This also includes members of the audit team or the EQCR partner if it is appropriate in the specific case. When determining if the responsible auditor(s), the audit firm or both should be sanctioned, the AOB has to take into account the uniformity and frequency of breaches within an audit firm and the main responsibility for the breach.

**Ireland**

We have powers to sanction both auditors and audit firms. Each case is dealt with on a case by case basis and may result in sanctions being imposed on a natural person, firm or combination of both. The subject of the enforcement will depend on the specific facts of the case but a firm or individual would likely face different complaints the sanctions for which have starting points in our Guidance on Sanctions. Any person or entity over which we have jurisdiction could be sanctioned if relevant.

**Latvia**

The actions of the Latvian Association of Sworn Auditors and NCA (Ministry of Finance) depend on each individual case, ensuring that in cases where there are identical factual and legal circumstances, LASA and NCA shall adopt identical decisions (in cases where there are different factual or legal circumstances - different decisions). The only difference is that the auditor can be fined up to 7200 euros and the sworn auditor commercial company up to 14200 euros.

**Luxembourg**

The CSSF may impose sanctions and other administrative measures to natural person or legal person responsible for the breach. This also includes members of an administrative or management body of a public-interest entity and members of an audit committee of a public-interest entity by banning them from exercising functions in audit firms or public-interest entities.

**Malta**

The audit firm would be sanctioned, and if necessary, any natural person involved depending on circumstances.

**Netherlands**

The AFM is empowered to directly sanction the license holders (entities). The AFM is not empowered to sanction auditors or EQCRs. If the AFM deems sanctioning of those necessary, it must file a disciplinary complaint at the Auditor's Court. The AFM always considers the need for either (or both) forms of sanction, but also considers the differences in disciplinary proceedings.

**Poland**

There are differences in the liability of these entities.

**Portugal**

There are different criteria considering the nature of person.

**Romania**

As regards disciplinary liability, ASPAAS applies differentiated sanctions between financial auditors and audit firms. As for administrative pecuniary sanctions, the same sanctions apply to both financial auditors and audit firms.

**Slovakia**

In audit failures in audit firms, generally audit firm is sanctioned. In some cases there is a legal possibility to impose sanctions on a member of an audit firm or a member of an administrative or management body of a public-interest entity or an statutory auditor in the audit firm.

**Slovenia**

Criteria for sanctioning depends in regard whether finding relates to a system failure on audit company level or it is responsibility of signing auditor.

**Spain**

Both the auditor and the Audit firm would be sanctioned proportionally and considering the legally foreseen sanction grading criteria applicable for them, in particular the seriousness of the infringement committed, and after a sanctioning procedure legally ruled in which the auditor or Audit firm may present allegations.

**Sweden**

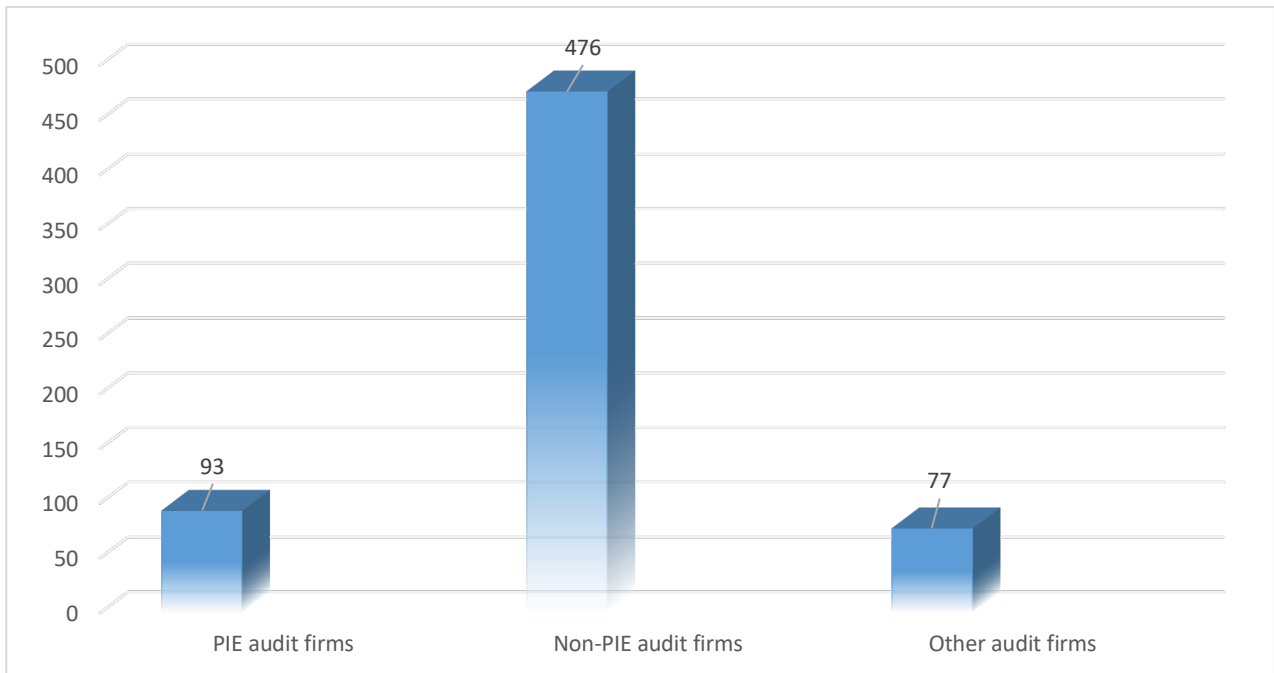
In theory all members of the audit team and the EQCR partner could be investigated. But in practice only the auditor is investigated.

**United Kingdom**

The FRC, and most delegated bodies, sanction the audit firm and signing auditor using different criteria. Any person approved by the FRC to carry out statutory audits, including the EQCR, can be investigated and sanctioned. In addition to the EQCR, delegated bodies may also impose sanctions against any member of the audit team.

## D.2 Categories of audit firms

*Within the statistics, as reported in Section A of this questionnaire, how many administrative measures and sanctions were imposed on the following categories of audit firms? (administrative measures and sanctions)*



### D.3 Importance of the information sources

*Approximately, what is the importance of information sources (in percentage of all opened enforcement cases in 2018), on which your authority uses when it decides to launch an investigation (i.e. open a case)?*

Information source	Order in importance, aggregated responses
Inspection findings	I
Whistleblowing, tips and complaints from 3rd parties (audit client representatives, other authorities etc.)	II
Internal fact finding or risk analysis by NCA itself or a delegated body/authority	III
Referrals from other authorities (national and international)	IV
Review and analysis of public filings by regulated entities	V
Media news and reports	VI
Other	VII
Monitoring of third-party claims (such as private lawsuits)	VIII

#### Comments

##### Czech

The disciplinary body of the Chamber got also some complaints from third parties, but none of them led to the start of formal proceeding.

##### Cyprus

In relation to the open proceeding cases of 2018, two (2) of the cases were opened from inspection findings (80%) and one (1) from a referral from other National Authority (20%).

##### Estonia

Other investigations we decide to launch based on our own (workers of the Oversight board) analysis.

##### France

The H3C Head of Enforcement and Investigations has no discretionary power to launch an investigation. A complaint must be expressly referred from a national authority/French court of from a 3rd party to the H3C Head of Enforcement and Investigations. Please note that the category other includes the possibility for the H3C Chair to refer complaints to the H3C Head of Enforcement and Investigations.

### Germany

The referrals from other authorities mainly comprise notifications from the financial reporting enforcement authorities. The cases of the delegated body are not included in the statistic.

### Ireland

The figures are based on new audit complaints investigated in 2018. These numbers are estimates. It was also noted by one body that all of the above information sources are important and we cannot give them a particular weighting. All depend on their facts.

### Latvia

LASA and NCA conduct inquiries into any complaint or media information it receives. LASA and NCA will initiate an investigation if it finds that there is a factual basis for an investigative action.

### Lithuania

All 4 audit investigations were launched when results of audit quality review had been evaluated.

### Luxembourg

Most of the investigations were launched as a result of audit quality inspections.

### Romania

During 2018 a series of actions were started, of which one was completed and did not generate sanctions. All the actions started by ASPAAS in 2018 and which have been completed so far, have been sent to the enforcement structure to propose the application of sanctions, where appropriate.

### Spain

ICAC carries out risk analysis procedures to perform its investigations plan, taking into account ICAC's resources available, that in 2018 focussed on the formal content of the transparency report, continuous education and review of 24 non-PIE audits and 2 PIE audits. The second information source is whistleblowing. All the whistleblowings received are analysed and in case of indicators of possible infringements, an investigation is opened.

## D.4 Most commonly applied auditing standards

*What are the auditing standards most commonly applied by your enforcement organisation (NCA and/or delegated body) as relevant evidence sources in the evaluation of the conduct of audit and when administrative measures or sanctions were imposed in year 2018? Identify the 3 most commonly applied auditing standards (for example ISQC 1, ISA 230, 315, ISA 530 etc.) used as evidence sources.*



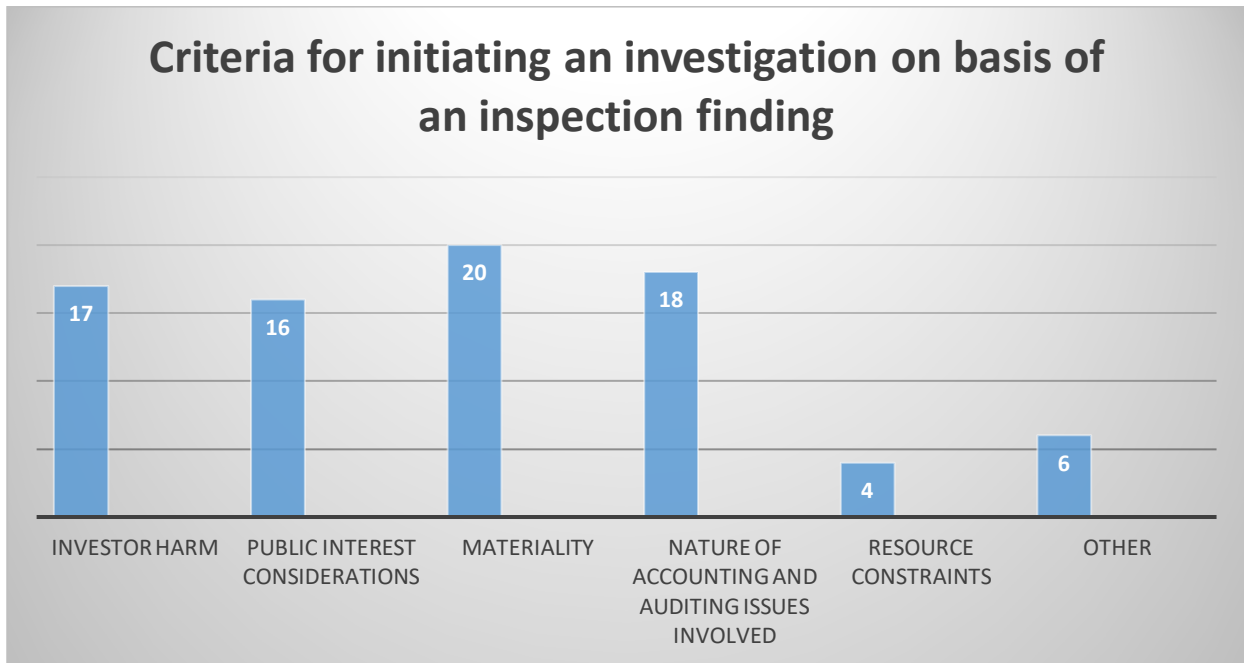
3 most commonly used auditing standards	% of the respondent consider the standard one of top 3
ISA 500	32
ISA 330	32
ISA 230	25

#### D.5 Criteria from inspection to investigation

*Has your NCA or delegated body developed any criteria in deciding when relevant inspection findings should be assigned to enforcement for investigation/sanctioning actions?*



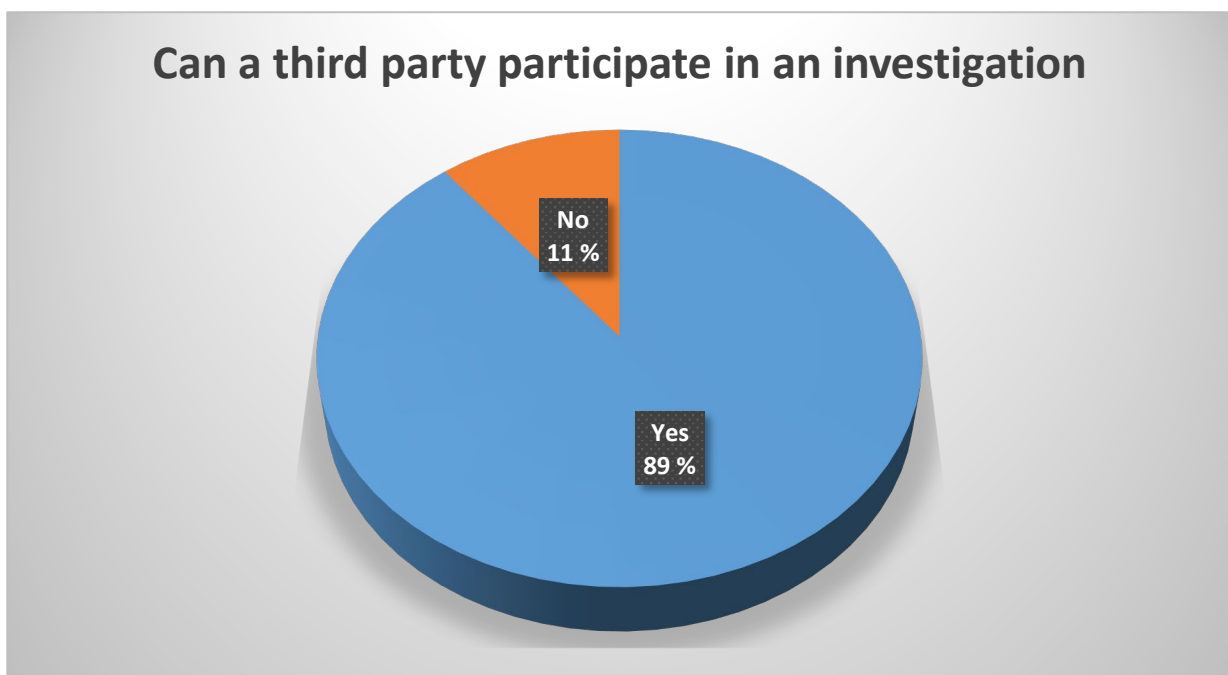
*If yes, what are the criteria?*



The figure above illustrates the number of responses. For instance 17 respondents noted that investor harm was a criteria in deciding when relevant inspection findings should be assigned to enforcement.

#### **D.6.a Participation of third parties**

*In order to facilitate the investigation, is there a legal possibility of participation by third parties (such as a law firm, outside experts), other than the investigated auditor and investigating body, in the course of an investigation?*

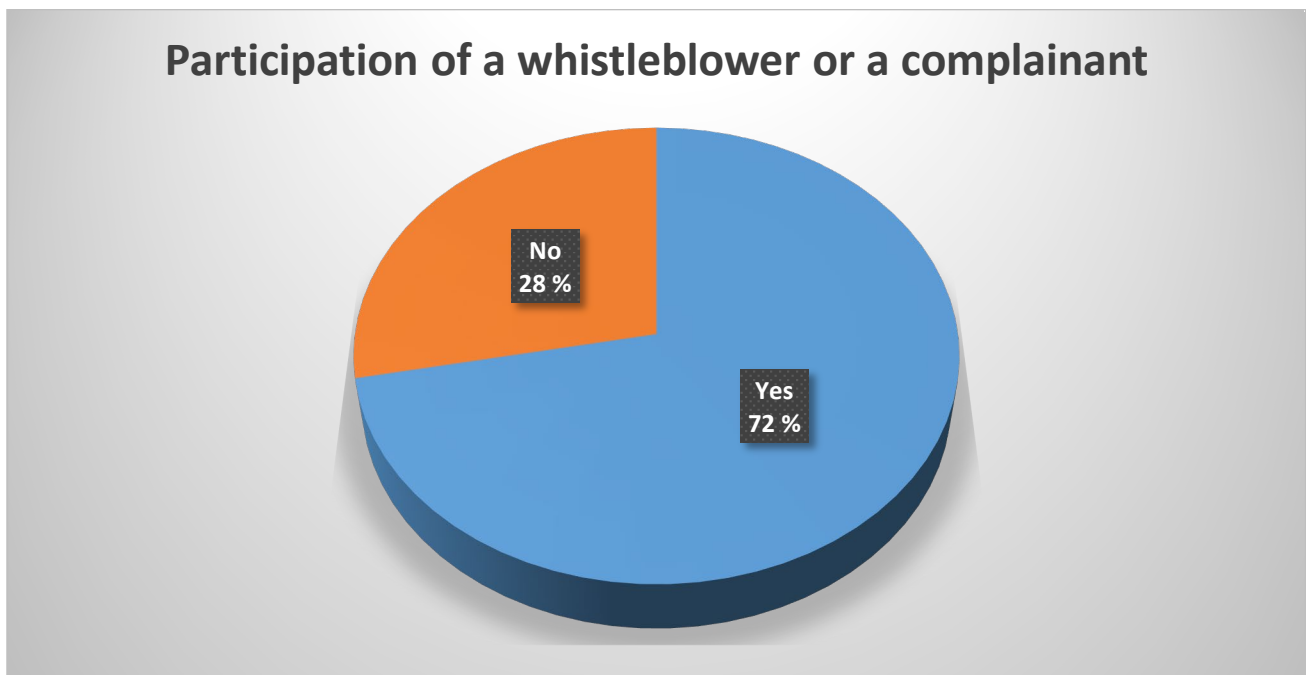


## Comments

All respondents who commented on this topic said that they are able to engage outside experts such as auditors, lawyers and law firms. The defendant can obtain independent legal advice. Some respondents emphasised that using an external legal adviser would be exceptional. Some respondents said that the option exists but it has not been used in practice. Those who responded “no” did not give any comments.

### D.6.b Participation of a whistleblower or complainant

*In order to facilitate the investigation and especially for fact-finding actions, is there a legal possibility of participation by a whistleblower or a complainant in the course of an investigation?*



## Comments

Those who responded yes referred to the following:

### Austria

The whistleblower has no right to actively participate in the investigation, but the authority may question him/her as a witness.

**Cyprus**

In accordance with article 82 (1)(a) of the Audit Law of Cyprus, the Director of CyPAOB can issue a notice summoning the statutory auditor and/or audit firm the person that made the complaint or gave the information and every person whose testimony would be considered useful or necessary in the course of the investigation, to testify . In addition, please note that according to the Audit Law of Cyprus L. 53(I)/2017 (article 83(c)) in the case of a person making the complaint or giving the information shall furnish the Board of CyPAOB with the documents and other information he or she has on this matter, provided that he or she possesses them legally. So the involvement of the complainant during the process is specified in the Audit Law of Cyprus.

**Finland**

Many enforcement cases actually derive from third party complaints or whistleblower information. Legally complainants and whistleblowers are not parties, but in practise they are often a useful information source.

**France**

Under French law, the investigations team can gather information from the complainant notably in the context of an interview. However, the complainant is not considered as a party to the administrative proceedings.

**Germany**

Investigative measures with regard to PIE statutory audits may also be taken against persons otherwise related or connected to statutory auditors and audit firms carrying out statutory audit of public interest entities, such as whistleblowers and complainants. Whistleblowers or complainants always have the possibility to provide the AOB with information.

**Ireland**

They will act as informant and/or witness and will be protected appropriately.

**Poland**

In some cases there is a legal possibility of participation by a whistleblower or a complainant in the course of an investigation as a witness or as a party.

**Portugal**

Under the terms of art. 49, no. 3, of the RJSA (national Law) , the CMVM has a service for receiving and monitoring the communication of violations that guarantees the protection of the personal data of the whistleblower and the accused.

**Romania**

In order to facilitate the investigation, but also in order to respect and apply the principle of the right to a fair hearing, the person reporting and the subject of the complaint are summoned to respond to the requests of the investigation team / Disciplinary Commission.

**Spain**

The whistle-blower will not be considered an interested party in the administrative action that is initiated because of the complaint, nor will they be recognised to file appeals regarding the results of the same (Article 79 of the Regulation that develops the Law on Auditing) However, they can be asked to provide other data or means of proof in their possession.

**United Kingdom**

A whistleblower or complainant may be contacted if it is thought that the individual would have information of potential relevance to the investigation. In due course it is possible that the individual would be asked to participate as a witness.

Those who responded no referred to the following:

**Belgium**

The persons may provide information and give documents. Based on the received information and documents, the BAOC will analyse and may decide to launch an investigation. During the investigation, the BAOC may question the persons.

**Latvia**

The whistle-blower or complainant can only participate if their legal interests are affected.

**Malta**

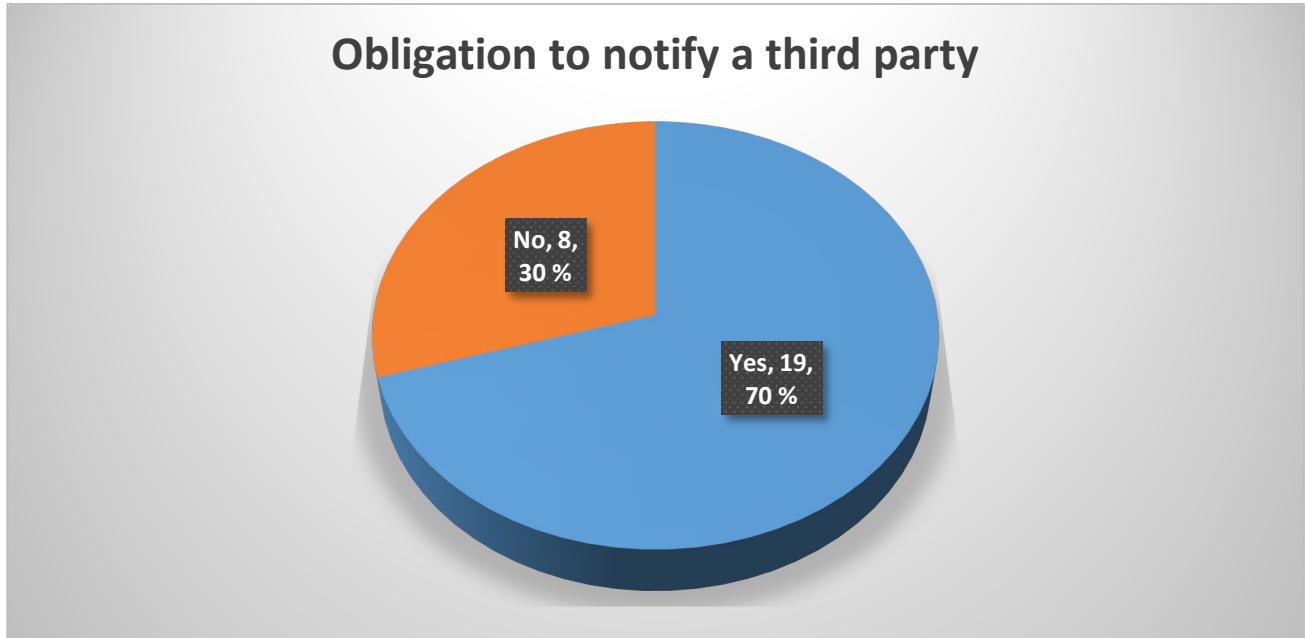
A whistle-blower can initiate an investigation.

**Slovenia**

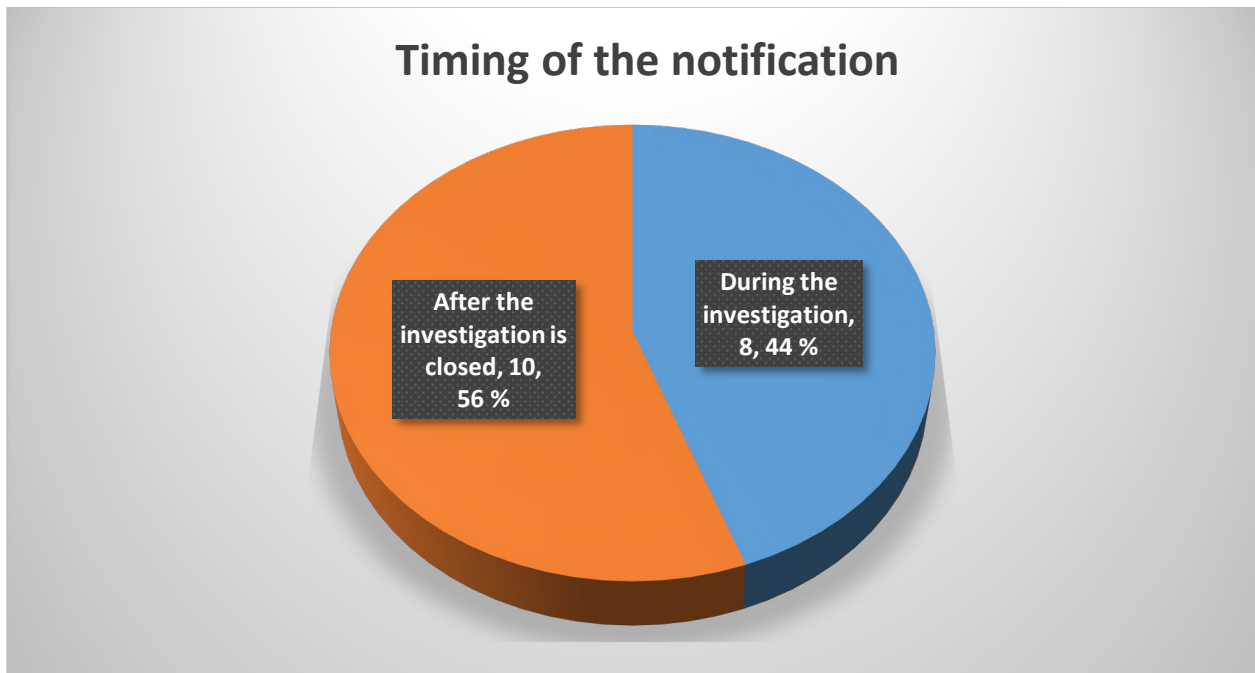
Whistle-blowers or complainants can not participate in investigation. APOA can use information that those persons provide but there is a legal restriction so only audit company and auditor can be a legal party to the APOA proceedings.

## D.7 Obligation to notify Authorities

*In the case of infringements detected as a result of an investigation, is there an obligation to notify third authorities or persons of these infringements?*



Those who responded yes stated that there is an obligation to inform third Parties but the timing<sup>10</sup> of the notification varied:



<sup>10</sup> The options were: a) During the investigation (e.g. right after initiating the investigation), b) After the investigation is closed/finished (as a result of an investigation)

## **Comments**

### **Belgium**

If the authority considers that a possible crime has been committed, it must inform the public prosecutor's office.

### **Czech**

Depends of the nature of the breach of law.

### **Cyprus**

In accordance with article 25 of the Audit Law of Cyprus the CyPAOB, the Central Bank, the Cyprus Securities and Exchange Commission, the Superintendent of Insurance, the Commissioner of taxation, the Cyprus Stock Exchange and the Recognized bodies of Auditors of the Republic shall cooperate for the effective exercise of their tasks and this covers the exchange of information. In cases where infringements are identified by CyPAOB the Competent Authorities (as mentioned above) that control the compliance and imposition of administrative sanctions of the related Public interest entities will be informed of the results of the investigation that relate to their oversight role, so as to take relevant actions where necessary. However, in the cases of serious findings the exchange of information with other Authorities is done during investigation after an assessment of the relevant findings. Please note that in the case of fraud or crime then the Attorney General of the Republic of Cyprus will be notified. So the assessment is on a case by case basis.

### **Denmark**

Not an obligation to notify third authorities or persons of these infringements - but we can notify third authorities.

### **France**

Under French law, H3C shall notify the sanction decision to the following bodies: the French professional body for professional accountants ( l'Ordre des experts comptables ) and national and regional professional bodies of statutory auditors.

### **Germany**

If the Chamber of Public Accountants or the AOB obtain facts, which give cause to suspect that Professional Accountants in Public Practice have committed criminal offences in connection with their professional practice, they have to share the facts immediately or after conducting an investigation with the responsible public prosecutor's office. Furthermore the AOB may transmit confidential information to the following authorities as far as it is necessary to fulfil the respective tasks of these offices:

- the German Financial Reporting Enforcement Panel (DPR),
- Federal Financial Supervisory Authority (BaFin),
- the supervisory authorities of the Cooperative Auditing Associations,
- the supervisory authorities of the Cooperative Audit Offices of an Association of Savings and Clearing Banks
- the German Central Bank,
- the European Central Bank,
- the Central Banks of the member states of the European Union, as well
- the European Systemic Risk Board.

### **Hungary**

Where a registered statutory auditor or audit firm that is engaged in carrying out statutory audits of public-interest entities failed to pass the quality review, the public oversight authority shall inform the Chamber of Hungarian Auditors, Budapest Stock Exchange, Hungarian National Bank and the other competent government body thereof, and of the measures taken. The public oversight authority, if noticing any situation where the interests of entities audited by statutory auditors or the interests of investors provided for in Act CXX of 2001 on the Capital Market are jeopardized, shall inform the Budapesti Értéktőzsde Zrt. (Budapest Stock Exchange) and the public entity concerned of the measures taken by the public oversight authority.

### **Ireland**

It may be an obligation to report suspected relevant company law or money laundering offences to ODCE; Gardaí and Revenue Commissioners. We must report findings against statutory auditors to the relevant Competent Authority. We have reporting obligations to various bodies both arising from Statute and Memoranda of Understanding with those bodies. The obligation to report can arise either at the time we become aware of a reportable event (or in some cases suspect a reportable event has occurred) or at the time a disciplinary body has made a finding.

### **Italy**

We notify the letter of infringement to criminal financial prosecutors in case criminal investigations are ongoing.

### **Latvia**

If during an investigation it is found that under the law the offense is punishable by another authority or it is a criminal offense, LASA and NCA shall forward the case materials to the relevant government authority.

### **Luxembourg**

According to Luxembourg Law, the CSSF shall inform the president of the professional body of any measures taken regarding an approved statutory auditor or approved audit firm.



**Netherlands**

This is very much circumstantial. Depending on facts and circumstances, there may be requirements or powers to share information obtained and to notify others of such information. Therefore also the answer no could apply, as well as the response that the notification should be done after the investigation.

**Poland**

There is an obligation in the event of reasonable suspicion of committing a crime, to notify the prosecutor or other law enforcement authorities.

**Portugal**

Article 25 of law 148/2018. CMVM report to the competent authorities any infractions that they become aware related to audit supervision.

**Romania**

National regulations require ASPAAS to notify the supervisory authorities of the audited entities in the case of infringements detected as a result of an investigation, committed by its auditor.

**Slovakia**

Obligation to notify a third party depends on nature of the breach of law. If the Authority possesses provable information that activities contrary to the Act or the Auditor's Code of Ethics are being or have been carried out on the territory of another Member State, it shall notify the competent authority of the other Member State thereof. The Authority shall communicate to the CEAOB all temporary prohibitions.

**Slovenia**

APOA informs other supervisory bodies (for banks, security market and insurance) or files criminal charges.

**Spain**

According to article 262 of the criminal proceedings Act those that due to their post, profession or trade knew of any public crime, are obliged to immediately report to the Public Prosecutor, to the Competent Court or to the examining Magistrate, failing those to the nearest policeman, if it was a flagrant crime. According to that article if ICAC is aware of the commission of an infringement of such nature, it will be obliged to report to the respective enforcement authorities. Besides, ICAC shall also and according to the principle of collaboration with other entities from the Public Administration share information that other oversight bodies of the audited entity may require to exercise its functions (article 60.4.c) of the Law on Auditing) and to other entities from the Public Sector (article 140 of the Law on Legal Regime of Public Sector).

**United Kingdom**

This obligation applies both during the investigation and after the investigation is closed. The delegated bodies have an obligation to report to the National Crime Agency pursuant to The

Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 if they know or suspect, or have reasonable grounds to suspect, that a person has engaged in money laundering. Both the FRC and the delegated bodies may report infringements to various bodies under Memoranda of Understanding.

#### D.8 Three most common failures detected in enforcement cases

*Name three main / most common failures/issues detected in enforcement cases in 2018, which have resulted in sanctioning (e.g. lack of independence, failure in applying a certain auditing standard, false audit report etc.):*

##### PIE cases

Failure, issue	How many times the respondents named it as one of the 3 most common
<i>Failure to identify and handle risks</i>	1
<i>Lack of independence</i>	3
<i>Failure in identifying material misstatements</i>	1
<i>Failure in applying ISA 701<sup>11</sup></i>	1
<i>Lack of documentation</i>	1
<i>Lack of audit evidence</i>	1
<i>Lack of required insurance amount</i>	1
<i>Failure to meet deadlines</i>	1
<i>Failure in applying ISA 230</i>	1
<i>Failures in audit reports</i>	1
<i>Failure in applying a certain auditing standard</i>	5

<sup>11</sup> Some respondents named more than three examples/issues. Some respondents didn't have PIE-cases at all.

## non-PIE cases

<b>Failure, issue</b>	<b>How many respondents named this among 3 most common</b>
<i>Lack of diligence on inventory</i>	1
<i>Non-compliance with reporting obligations</i>	2
<i>Failure in documentation of audit procedures</i>	1
<i>Failure in applying a certain auditing standard<sup>12</sup></i>	6
<i>Failure in identifying material misstatement</i>	1
<i>Failure to apply ethical standards</i>	1
<i>Failure in applying ISA 230</i>	1
<i>Failure in applying ISA 500</i>	1
<i>Lack of documentation and audit evidence</i>	1
<i>Several breach of the professional standards</i>	1
<i>Obstacles to inspections</i>	1
<i>ISA 500</i>	1
<i>Independence</i>	1
<i>ISA 250</i>	
<i>No substantive procedures for material categories of transactions and account balances were performed</i>	1

<sup>12</sup> This was mentioned many times as the table indicates – without mentioning a specific standard.

## Tentative observations

Since the implementation of the EU Audit Reform (2014) most jurisdictions have their auditor oversight system operational. This is reflected through the sanctioning decisions.

The history of collecting and aggregating administrative measures and sanctions is still early on and therefore, it is too early to draw conclusions from the statistics.

The respondents have indicated very few auditing standards violations as a basis for sanctioning. Due to the small sample size it is not possible to point to any specific auditing standard violation or common violations as a precise criteria for sanctioning.



## ENFORCEMENT QUESTIONNAIRE ON SANCTIONING STATISTICS REGARDING YEAR 2018

Page 1

### CEAOB Enforcement sub-group

This questionnaire is addressed to EU Competent Authorities in Auditor Oversight, based on Article 23 of the Regulation 537/2014 and Directive 2006/43/EC, Article 30f (1).

**Legal ground:** This questionnaire is based on Member States duty to cooperate in line with Article 33 of Directive 2006/43/EC and CEAOB's mission to facilitate the exchange of information, expertise and best practices in line with Article 30(7) and 30(11) of Regulation. The questionnaire addresses investigations and sanctioning by competent authorities or delegated authorities in the calendar year 2018. The responses of the questionnaire will be used for public reporting purposes in compliance with the CEAOB's work plan 2019 and the CEAOB Enforcement sub-group's work plan 2019.

**Statistics:** Please give statistics which reflect the decisions based on legislation in your jurisdiction in line with the ARD. The reported statistics should be decisions taken by your national competent authority (NCA), and (if applicable, combined with) the decisions by the delegated body/authority. The questions and requests for statistics refer only to calendar year 2018.

The questionnaire is addressed to collect information primarily on the oversight of statutory audits of annual accounts and consolidated accounts conducted by auditors and audit firms. Kindly distinguish PIE and non-PIE related engagements and related information in your responses.

As for investigation and sanctioning of other engagements, other activities and non-audit services of auditors and audit firms, please use the section "Others" in your response (e.g. sanctions imposed following any negligence for payment of statutory audit fees, failure to provide requested information for oversight purposes, breach of duty of cooperation, violation of educational requirements, failure in non-audit reports etc).

**Terms:** The terms used in this questionnaire reflect the terms and definitions used in EU Audit Directive (2006/43/EC) of May 2006 and the Regulation 537/2014. This questionnaire covers PIE and non-PIE auditors and audit firms respectively. "**EU-AD**" refers to Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, "**EU-AR**" means Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, and "**NCA**" covers National competent authority under the meaning of Art. 2(10) EU-AD.

**Responses:** Please provide your responses using this electronic format **by 30 September 2019 at the latest**.

**Inquiries:** If you have any inquiries about answering the questions, please contact [pas.horsmanheimo@prh.fi](mailto:pas.horsmanheimo@prh.fi).



**ENFORCEMENT QUESTIONNAIRE ON SANCTIONING STATISTICS REGARDING YEAR  
2018**

**Page 2**

**Contact information:**

Jurisdiction:

Name of the competent authority in original language and in English (with abbreviations in use):

The following responses were filled by:

name

contact information

date:

dd/mm/yyyy

Further information can be given by:

contact information



## ENFORCEMENT QUESTIONNAIRE ON SANCTIONING STATISTICS REGARDING YEAR 2018

Page 3

### A. Statistics 2018 - Administrative measures and sanctions

Please fill in the administrative measures and sanctions which your national competent authority or (if applicable) a delegated authority or body has imposed in line with the ARD (based on delegation of tasks, see Art. 24 of the EU-AR and Article 32(4) of the EU-AD). Note that statistics of decisions where it was concluded that sanctioning isn't necessary when the case was closed are not requested in your reporting. In the instance of a case of multiple sanctions, where an auditor can be imposed a fine and a reprimand by the same decision in the same case, both sanctions should be filled in respectively. Kindly report the sanctions and administrative measures imposed on auditors and audit firms separately. An administrative measure or a sanction should only be reported once in the relevant numbered section. If there are other parties involved and have been sanctioned in the case (such as former auditors, experts), please distinguish the reporting of the other administrative measures or sanctions in the comments field.

#### A.1 Withdrawal of approval (Art. 30 (3) of EU-AD)

**Note:** Report in this section all administrative measures and sanctions which have the same/similar permanent impact as a withdrawal of approval (such as withdrawal of special qualifications as a statutory auditor, restriction, exclusion from profession etc.) which prevents a person or a firm from performing statutory audits and other services as an auditor.

How many administrative measures and sanctions did the national competent authority and/or the delegated authority impose in total in 2018?

Number (PIE):

Number (non-PIE):

Number (others):

Notes and comments: National add-ons etc.

#### A.2 Notice requiring the natural or legal person responsible for the breach to cease the conduct and to abstain from any repetition of that conduct Art. 30 a (1 a) EU-AD

**Note:** Report in this section all administrative measures and sanctions, which are based on Art. 30 a (1.a) EU-AD regardless of the national title of the administrative measure or sanction and regardless of possible minor national add-ons, such as "reprimand", "warning", "admonition", "call to order", "caution" etc. as long as they match with Art. 30 a (1 a) EU-AD.

How many administrative measures and sanctions did the national competent authority and/or the delegated authority impose in total in 2018?

Number (PIE):

Number (non-PIE):

Number (others):

Notes and comments: National add-ons etc.

**A.3 A public statement which indicates the person responsible and the nature of the breach, published on the website of the competent authority (Art. 30 a (1 b) EU-AD)**

How many administrative measures and sanctions did the national competent authority and/or the delegated authority impose in total in 2018?

Number (PIE):

Number (non-PIE):

Number (others):

Notes and comments. National add-ons etc.

^  
v

**A.4 A temporary prohibition, of up to 3 years' duration, banning the statutory auditor, the audit firm or the key audit partner from carrying out statutory audits and/or signing audit reports (Art. 30 a (1 c) EU-AD)**

*Note: Report in this section all administrative measures and sanctions, which are based on Art. 30 a (1 c) EU-AD regardless of the national title of the administrative measure or sanction and regardless of possible minor national add-ons, such as "suspension", "restriction", "exclusion" as long as they are limited in time and match the requirements of Art. 30 a (1 a) EU-AD.*

How many administrative measures and sanctions did the national competent authority and/or the delegated authority impose in total in 2018?

Number (PIE):

Number (non-PIE):

Number (others):

Notes and comments: National add-ons etc.

^  
v

**A.5 A declaration that the audit report does not meet the requirements of Art. 28 of EU-AD, or where applicable, Art. 10 of EU-AR (Art. 30 a (1 d) EU-AD)**

How many administrative measures and sanctions did the national competent authority and/or the delegated authority impose in total in 2018?

Number (PIE):

Number (non-PIE):

Number (others):

Notes and comments. National add-ons etc.

^  
v

**A.6 A temporary prohibition, for a certain duration, banning a member of an audit firm or a member of an administrative or management body of a PIE-entity from exercising functions in audit firms or public-interest entities (Art. 30 a (1 e) EU-AD)**

How many administrative measures and sanctions did the national competent authority and/or the delegated authority impose in total in 2018?

Number (PIE):

Number (non-PIE):

Number (others):



Notes and comments: National add-ons etc.

**A.7 The imposition of administrative pecuniary sanctions on natural and legal persons (Art. 30 a (1 f) EU-AD)**

How many administrative measures and sanctions did the national competent authority and/or the delegated authority impose in total in 2018?

Number (PIE):

Number (non-PIE):

Number (others):

Notes and comments: National add-ons etc.



**ENFORCEMENT QUESTIONNAIRE ON SANCTIONING STATISTICS REGARDING YEAR 2018**

**B. Other administrative measures and sanctions (which are not covered by the AUR or AUD).**

Any other administrative measures or sanctions imposed which are not covered by the EU-AD or EU-AR.

Kindly provide details and any relevant statistics.

Distinguish the PIE and non-PIE sanctions on the basis of the engagement in question.

**Note:** Where a single case may cover several sanctions, please report each sanction separately.

**B.1 Sanction:**

How many administrative measures and sanctions did the national competent authority and/or the delegated authority impose in total in 2018?

Number (PIE):

Number (non-PIE):

Number (others):

Notes and comments: National add-ons etc.

^
v

**B.2 Sanction:**

How many administrative measures and sanctions did the national competent authority and/or the delegated authority impose in total in 2018?

Number (PIE):

Number (non-PIE):

Number (others):

Notes and comments: National add-ons etc.

^
v

**B.3 Sanction:**

How many administrative measures and sanctions did the national competent authority and/or the delegated authority impose in total in 2018?

Number (PIE):

Number (non-PIE):

Number (others):

Notes and comments. National add-ons etc.

^  
v

**B.4 Sanction:**

How many administrative measures and sanctions did the national competent authority and/or the delegated authority impose in total in 2018?

Number (PIE):

Number (non-PIE):

Number (others):

Notes and comments: National add-ons etc.

^  
v



## ENFORCEMENT QUESTIONNAIRE ON SANCTIONING STATISTICS REGARDING YEAR 2018

Page 5

### C. Enforcement Organisation

**C.1** Have there recently been any major developments or changes in your auditor oversight legislation or in the auditor oversight organization (such as changes in structure, powers, financing, expansion or reduced oversight duties etc.)

- Yes  
 No

If yes, Please explain:

**C.2** What is the number of PIE entities in your jurisdiction?

The response above is

- an estimate  
 an exact number

**C.3** What is the capacity of your auditor oversight organisation (NCA and/or delegated body combined)? Please respond by indicating for instance the number of staff, number of processed/opened and closed cases in a year, annual budget in euros or similar indicators / relevant descriptive information. Kindly provide a description of the resources (human, financial etc.) allocated by your auditor oversight organisation to investigations, inspections and other audit oversight functions. Distinguish the resources for PIE and non-PIE oversight where applicable.

Please explain:



**ENFORCEMENT QUESTIONNAIRE ON SANCTIONING STATISTICS REGARDING YEAR 2018**

**D. Enforcement Process**

**D.1 When imposing administrative measures or sanctions, how does your enforcement organisation (NCA and/or delegated body) address administrative measures and sanctions in relation to the audit firm and the statutory auditor (natural person, such as the signing auditor/signing audit partner/key auditor)?**

- Both audit firm and auditor would be sanctioned equally.
- Audit firm and the signing auditor would be sanctioned on different criteria.
- In audit failures only the auditor (natural person) could be sanctioned.
- In audit failures any member of the audit team or the EQCR partner could be investigated and sanctioned
- Other:

Please explain:

**D.2 Within the statistics, as reported in Section A of this questionnaire, how many administrative measures and sanctions were imposed on the following categories of audit firms?**

	number	% of administrative measures and sanctions (PIE)
administrative measures and sanctions (PIE)	<input style="width: 80%; height: 15px;" type="text"/>	<input style="width: 80%; height: 15px;" type="text"/>

	number	% of administrative measures and sanctions (non-PIE)
administrative measures and sanctions (non-PIE)	<input style="width: 80%; height: 15px;" type="text"/>	<input style="width: 80%; height: 15px;" type="text"/>

	number	% of administrative measures and sanctions (others)
administrative measures and sanctions (others)	<input style="width: 80%; height: 15px;" type="text"/>	<input style="width: 80%; height: 15px;" type="text"/>

The response above is

- an estimate
- an exact number

**D.3 Approximately, what is the importance of information sources (in percentage of all opened enforcement cases in 2018), on which your authority uses when it decides to launch an investigation (i.e. open a case)?**

	%
Inspection findings	<input style="width: 80%; height: 15px;" type="text"/>
Internal fact findings or risk analysis by NCA itself or by a delegated body/authority	<input style="width: 80%; height: 15px;" type="text"/>

- Review and analysis of public filings by regulated entities
- Whistleblowing, tips and complaints from third parties (audit client representatives, other authorities etc.)
- Referrals from other authorities (national and international)
- Media news and reports
- Monitoring of third-party claims (such as private lawsuits)
- Other

Please explain:

**D.4 What are the auditing standards most commonly applied by your enforcement organisation (NCA and/or delegated body) as relevant evidence sources in the evaluation of the conduct of audit and when administrative measures or sanctions were imposed in year 2018? Identify the 3 most commonly applied auditing standards (for example ISQC 1, ISA 230, 315, ISA 530 etc.) used as evidence sources:**

- |    | auditing standard                                       |
|----|---|
| 1) | <input style="width: 100%; height: 15px;" type="text"/> |
| 2) | <input style="width: 100%; height: 15px;" type="text"/> |
| 3) | <input style="width: 100%; height: 15px;" type="text"/> |

Please explain:

**D.5 Has your NCA or delegated body developed any criteria in deciding when relevant inspection findings should be assigned to enforcement for investigation/sanctioning actions?**

- Yes
- No

If yes, what are the criteria:

- Investor harm
- Public interest considerations other than investor harm
- Materiality
- Nature of accounting and auditing issues involved
- Resource constraints
- Other

**D.6.a In order to facilitate the investigation, is there a legal possibility of participation by third parties (such as a law firm, outside experts), other than the investigated auditor and investigating body, in the course of an investigation?**

- Yes
- No

If yes, please explain

**D.6.b In order to facilitate the investigation and especially for fact-finding actions, is there a legal possibility of participation**

by a whistleblower or a complainant in the course of an investigation?

- Yes
- No

If yes, please explain

**D.7 In the case of infringements detected as a result of an investigation, is there an obligation to notify third authorities or persons of these infringements?**

- Yes
- No

If yes, does this obligation apply:

- during the investigation (e.g. right after initiating the investigation)
- after the investigation is closed/finished (as a result of an investigation)

Please explain:

**D.8 Name three main / most common failures/issues detected in enforcement cases in 2018, which have resulted in sanctioning (e.g. lack of independence, failure in applying a certain auditing standard, false audit report etc.):**

	In PIE cases	In non-PIE cases
1	<input type="text"/>	<input type="text"/>
2	<input type="text"/>	<input type="text"/>
3	<input type="text"/>	<input type="text"/>

