

Delegation of tasks of competent authorities (POBs) to professional accountancy organizations (PAOs)

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Financial reporting in private and public sectors – common issues, challenges and recent developments

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Objectives of session

- » In the EU, Public Oversight Bodies (POBs or competent authorities) have the ultimate responsibility for the oversight of auditors.
- » The EU permits POBs to delegate some of these tasks and thus the aim of this session is to discuss the experience of POBs in delegating their tasks.
- » With your input in terms of questions and experience, the session will focus on:
 - » which tasks are being delegated and retained by POBs across Europe,
 - » how the delegation is expressed,
 - » how POBs are deciding which tasks to delegate, and
 - » how POBs are monitoring the performance of delegated tasks.
- » The session will end by asking if there is interest in forming a working group on this subject of delegation.



What tasks can be delegated by a POB?

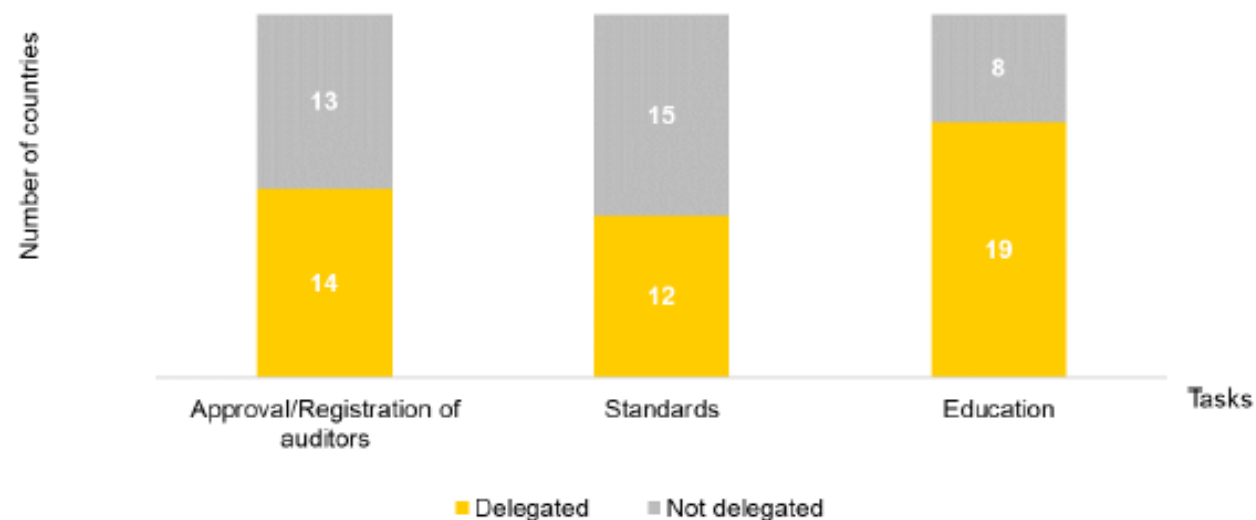
- » Per EU-AD Art 32 para 4 and 4b as well as EU-AR Art 24, a competent authority shall have the ultimate responsibility for the oversight of and can delegate:
 - (a) the approval and registration of statutory auditors and audit firms;
 - (b) the adoption of standards on professional ethics, internal quality control of audit firms and auditing, except where those standards are adopted or approved by other Member State authorities;
 - (c) continuing education;
 - (d) quality assurance systems (except in respect of auditors and audit firms of PIEs);
 - (e) investigative and administrative disciplinary systems (except in respect of auditors and audit firms of PIEs).

What countries are delegating their POBs' tasks - PIEs?

Public oversight

Delegation of tasks for audits of PIEs*

October 2018 Update

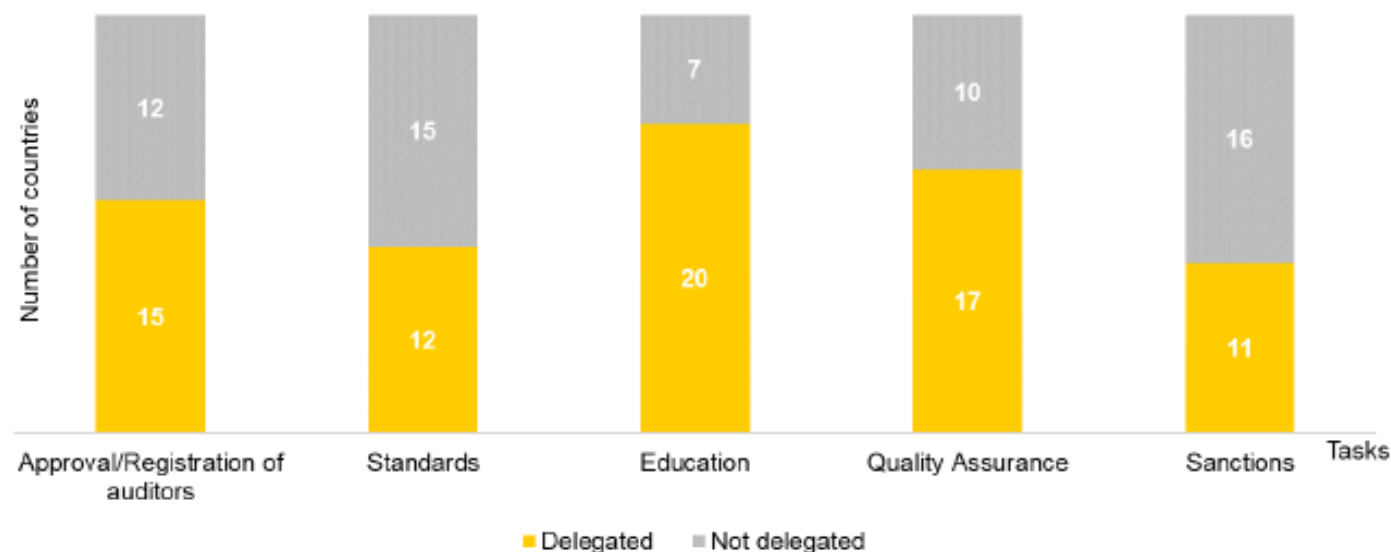


What countries are delegating their POBs' tasks – non-PIEs?

Public oversight

Delegation of tasks for audits of non-PIEs*

October 2018 Update



What countries are delegating their POBs' tasks?

22 (81%) jurisdictions have delegated powers.

POWERS DELEGATED	JURISDICTION
<i>Delegation of ARD powers (overview)</i>	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Malta, Poland, Portugal, Slovakia, Sweden, The Netherlands, UK
<i>Delegation of investigation tasks</i>	Cyprus, Germany, Hungary, Ireland, Portugal, UK
<i>Delegation of sanctioning tasks</i>	Cyprus, Denmark, Estonia, Germany, Hungary, Ireland, Poland, Portugal, UK
<i>Delegation of non-PIE inspections</i>	Bulgaria, Cyprus, Czech Republic, France, Germany, Hungary, Ireland, Latvia, Lithuania, Poland, Portugal, Slovakia, Sweden, The Netherlands, UK
<i>Delegation of non-PIE investigations or sanctioning tasks</i>	Cyprus, Czech Republic, Germany, Hungary, Ireland, Latvia, Poland, Portugal, Slovakia, UK
<i>Delegation of the Public Register</i>	Belgium, Bulgaria, Cyprus, Czech Republic, France, Germany, Hungary, Ireland, Latvia Lithuania, Poland, UK
<i>Other delegations (see 5.1.3.2.)</i>	Austria, Belgium, Cyprus, Czech Republic, Estonia, Finland, France, Germany, Greece, Ireland, Latvia, Malta, UK
No delegation of tasks	Italy, Liechtenstein, Luxembourg, Slovenia, Spain

CEAOB Enforcement Report
2017 (adopted 1 June 2018)
in respect of calendar year
2016

19 out of 22 respondents
(86%) that delegated tasks,
delegated competences to
the profession.

What countries are delegating their POBs' tasks – overall?

Public oversight: our take

1. Many Member States rely on a certain degree of delegation to professional accountancy bodies
2. **Education** and **Approval/ registration of auditors**, both for audit of PIEs and non-PIEs, have been delegated by the majority of Member States
3. **Quality assurance for non-PIEs** has been delegated by the majority of Member States
4. **Professional accountancy bodies will continue to play an important role** in this area working together with national competent authorities to enhance audit quality

How are countries delegating their POBs' tasks?

Area of ultimate responsibility of competent authority	How delegated?
(a) the approval and registration of statutory auditors and audit firms	Delegated by law: Germany, Georgia (exams), Ukraine, Albania (implementation) Law permits delegation at option of POB: UK Law does not permit delegation: Moldova, Georgia (approval, registration and certification standards), Albania (approval of PAO's regulations and formats)
(b) the adoption of standards on professional ethics, internal quality control of audit firms and auditing, except where those standards are adopted or approved by other Member State authorities;	Delegated by law: Germany, Albania (implementation of ethics) Law permits delegation at option of POB: UK Law specifies standards: Georgia, Albania (for audits) Law does not permit delegation: Albania (approval of PAO's standards on ethics)
(c) continuing education;	Delegated by law: Germany, Georgia (delivery), Ukraine, Albania Law permits delegation at option of POB: UK Law does not permit delegation: Moldova, Georgia (standards)
(d) quality assurance systems;	For PIEs, QAS done by POB. For non-PIEs: Delegated by law: Germany, Ukraine Law permits delegation at option of POB: Albania, Moldova, UK Law does not permit delegation: Moldova, Georgia
(e) investigative and administrative disciplinary systems	For PIEs, I&D done by POB. For non-PIEs: Delegated by law: Germany, Ukraine Law permits delegation at option of POB: UK Law does not permit delegation: Moldova, Albania



Group discussion - Where the law has delegated a POB's responsibilities

- (a) How can a POB have ultimate responsibility for an area that the law has delegated to a specific professional body?
- (b) Does this comply with the EU-AD and EU-AR? They say:
 - » The delegation shall specify the delegated tasks and the conditions under which they are to be carried out.
 - » Where the competent authority delegates tasks to other authorities or bodies, it shall be able to reclaim the delegated competences on a case- by-case basis



Group discussion - Where the POB can genuinely delegate tasks

- (a) To what extent do financial considerations play a role in determining whether the competent authority should delegate an area of responsibility?
- (b) What non-financial considerations should a competent authority use to decide whether it should delegate an area of responsibility?
- (c) How should a competent authority monitor a professional body's performance of its delegated areas of responsibility?
- (d) What should a competent authority do when a professional body fails to perform its delegated areas of responsibility including how could it take back those responsibilities?



Going forward – is there interest in working on the following?

1. Devising non-financial considerations that a competent authority could use to decide whether it should delegate an area of responsibility?
2. Devising work programs that enable a competent authority to monitor a professional body's performance of its delegated areas of responsibility?
3. Devising proforma delegation agreements for use between POBs and PAOs including specifying what a competent authority could do when a professional body fails to perform its delegated areas of responsibility including how could it take back those responsibilities?

The background is a solid green color with a low-poly, geometric pattern. The pattern consists of numerous irregular polygons of varying sizes and shades of green, creating a textured, crystalline effect. The text "Many thanks?" is centered in the middle of the image.

Many thanks?