

Overview of the Slovenian Oversight System: Agency for Public Oversight of Auditing (APOA)

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SLOVENIA some facts

Population: 2,1 mio

Area: 20.271 sq km

GDP: 51.802 bn USD

EU member from
2004, EURO (2007)

industrial sector,
tertiary (ITC, financial
and commercial
services, retail
business, tourism)



43 audit
companies

181 certified
auditors

17
audit companies,
which are PIE
auditors

1729 AUDITED
COMPANIES IN
2019

170 PIEs

Audit market in Slovenia in 2019

30m EUR total
revenue
(1,3% less than in 2018)

20.3m EUR revenue from
financial statements
audits

4m EUR revenue from
assurance engagements
other than audits or
reviews of historical
financial statements

Ernst & Young
The biggest audit firm by
total revenue

Deloitte
The biggest audit firm by
revenue from financial
statements audits

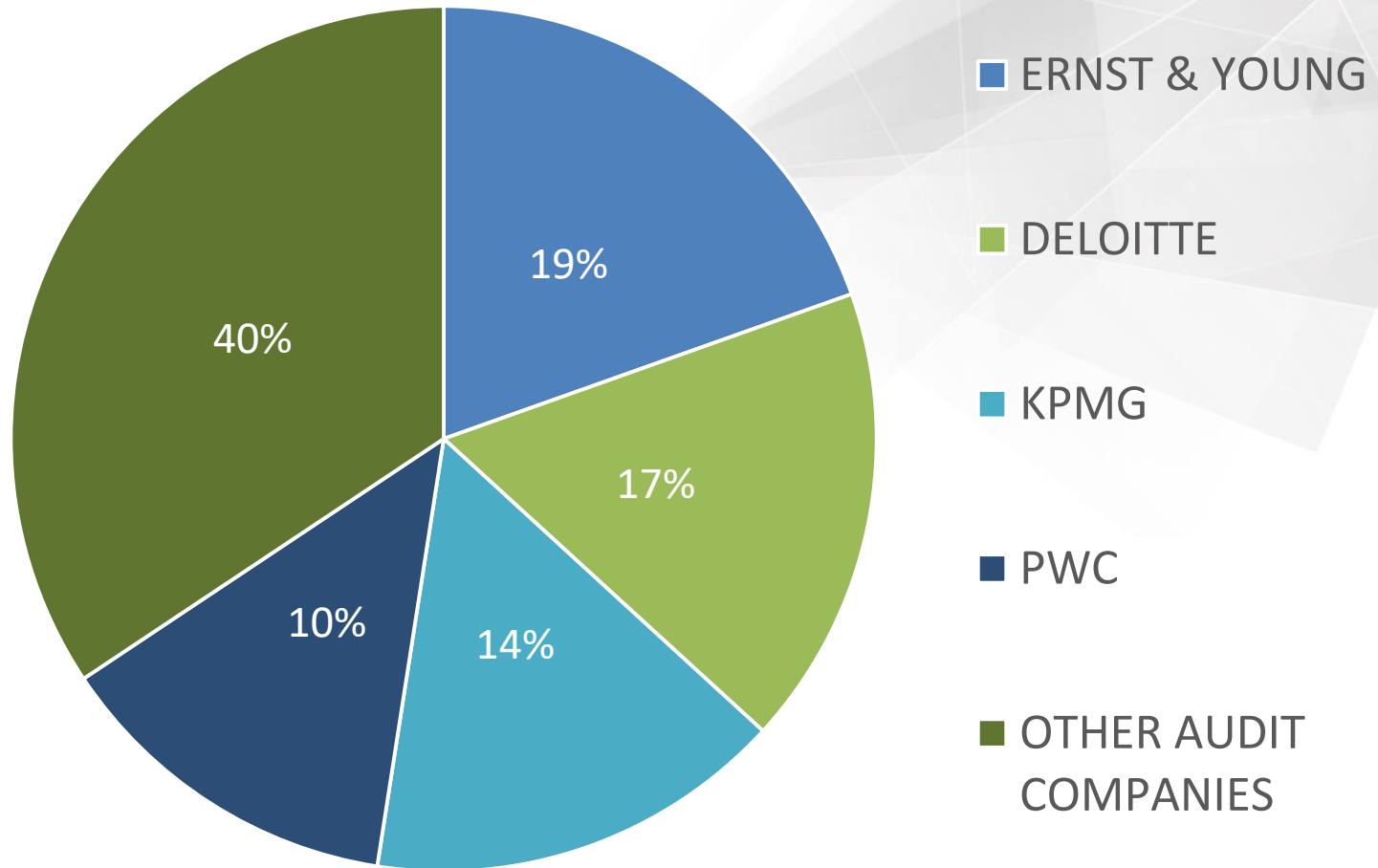
Ernst & Young biggest
audit firm by revenue
from financial statements
audits for PIE

10 biggest audit firms
74% share of audit market
total revenue

BIG4 60% share of total
revenue

BIG4 90% share of total
revenue from financial
statements audits for PIE

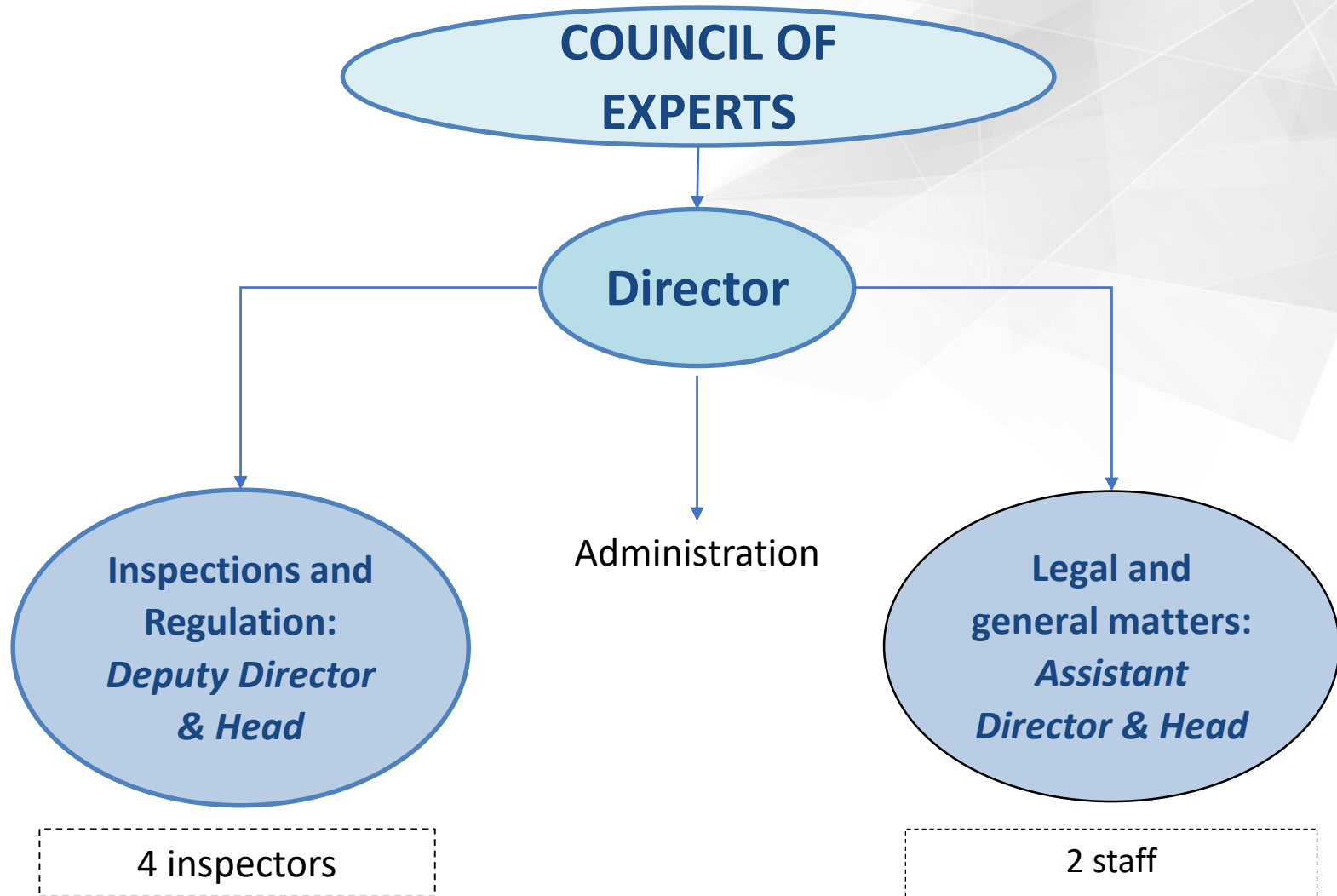
BIG4 and other audit companies (2019; revenue)



Overview of APOA

Name of organization	Agencija za javni nadzor nad revidiranjem (ANR) Agency for Public Oversight of Auditing (APOA)
Foundation	With the enforcement of the Auditing Act on July 15, 2008; started operating on March 1, 2009
Founder	the Republic of Slovenia, the founding rights and obligations are exercised by the Government of the Republic of Slovenia
Number of employees (1.5.2021)	9 (plan 2024: 13)
Decisions taken by	Expert council / director
Main responsibility	The only supervisory and regulatory body in the field of auditing in Slovenia
Funding	<ul style="list-style-type: none">• state budget• revenues in accordance with a fee schedule (fees from audit firms, sanctions, licencing, other)
Annual budget	620.000 EUR (2021)
Website	www.anr.si
E-mail	info@anr.si

- The **only supervisory and regulatory body** in the field of auditing in Slovenia (since the new Auditing Act in January 2019)
- APOA is responsible for **carrying out inspections of all audit firms** and statutory auditors in Slovenia
- APOA is **an autonomous and independent body**
- The founder of the Agency is the Republic of Slovenia
- The **Agency's bodies** are:
 - the Expert Council
 - director
- The members of both bodies are **appointed and dismissed by the Government** of the Republic of Slovenia at the proposal of the finance minister: **6 years term!**



Council of Experts composition

- The director of the Agency is also the president of the Council of Experts
- 9 members, nominated by the following institutions:

APOA director	Bank of Slovenia	the Insurance Supervision Agency
the Slovenian Institute of Auditors	Ljubljana Stock Exchange	Ministry of Finance
Ministry of the Economy	University of Ljubljana or Maribor	the Securities Market Agency

Eligibility criteria and composition requirements for the governing bodies

independent expert who possesses appropriate knowledge related to auditing

has completed at least a **second level economic/law** study program

has worked on the **theoretical or practical fields of accounting, auditing, finance or law** for at least eight years

has **not been employed at the professional body** and has not been a member of any of the professional body 's bodies

for **at least three years prior to appointment, did not carry out statutory audits**, did not hold voting rights in an audit company, was not a member of the management board of an audit company and was **not employed or otherwise associated with an audit company**

has not been convicted of a crime against property or an economic crime that has not yet been expunged from the record

APOA's Director and a member of the Expert Council¹¹ should not....:

- be member of the management or supervisory bodies of a bank, insurance company, stock brokerage company, management company and all other companies subject to statutory audits
- have a function in the bodies of political parties, state bodies, and local authorities
- perform profitable activities, if such an activity is or could be incompatible with carrying out the independent public oversight of auditing or interests of the APOA

All members of the Expert Council are (and must be) independent by the audit profession!

The competences of the Agency's Council of Experts are the following ¹²

- deciding on **approvals, measures and other individual matters**, which are to be decided by the Agency in accordance with the law
- adopting **regulations** which are to be adopted by APOA
- adopting the Agency's **rules of procedure**
- adopting the **strategic plan, annual work plan** and **annual report** of APOA
- **giving opinions of principle to individual matters**, which are to be decided by the Director
- dealing with **general questions of audit quality**
- **examining the initiatives of other supervisory bodies** and interested parties for the improvement and development of financial reporting and auditing quality
- dealing with **other professional matters** pertaining to the scope of the Agency's competences

IN PRACTICE

- Usually one or two sessions per month, if necessary correspondence session
- Pandemic situation: via MS Teams
- Staff is present on the session when reporting the specific case/matter

CHALLENGES

- Attendance fees are not high compared to similar fees in private sector, even though the responsibility of each member is high
- It is preferred that members have the knowledge, expertise and experience in professional fields of audit, accounting,...

Key changes made to comply with the EU Audit Reform (new Auditing Act in January 2019)

APOA

- The last country in EU to adopt new Auditing Act to comply with ARD (21th December 2018)
- Slovenian Institute of Auditors does not have any powers left regarding auditors and auditing issues
- All direct authorities to APOA
- Only 6 months to comply with new tasks (new policies, employment of new staff, IT support)
- New way of financing: fees from audit firms and state budget (before the new audit legislation financed only by the state budget)

Competence and responsibilities

- Defining the hierarchy of auditing rules
- Supervisions of all audit firms and certified auditors (PIE and non PIE)
- Supervision of audit committees performance
- Translations of ISAs
- Defining the professional competencies and experience, required to perform audits
- Organising trainings:
 - Professional trainings
 - CPD
- Licencing and registrations of audit firms and auditors
- Sanctioning

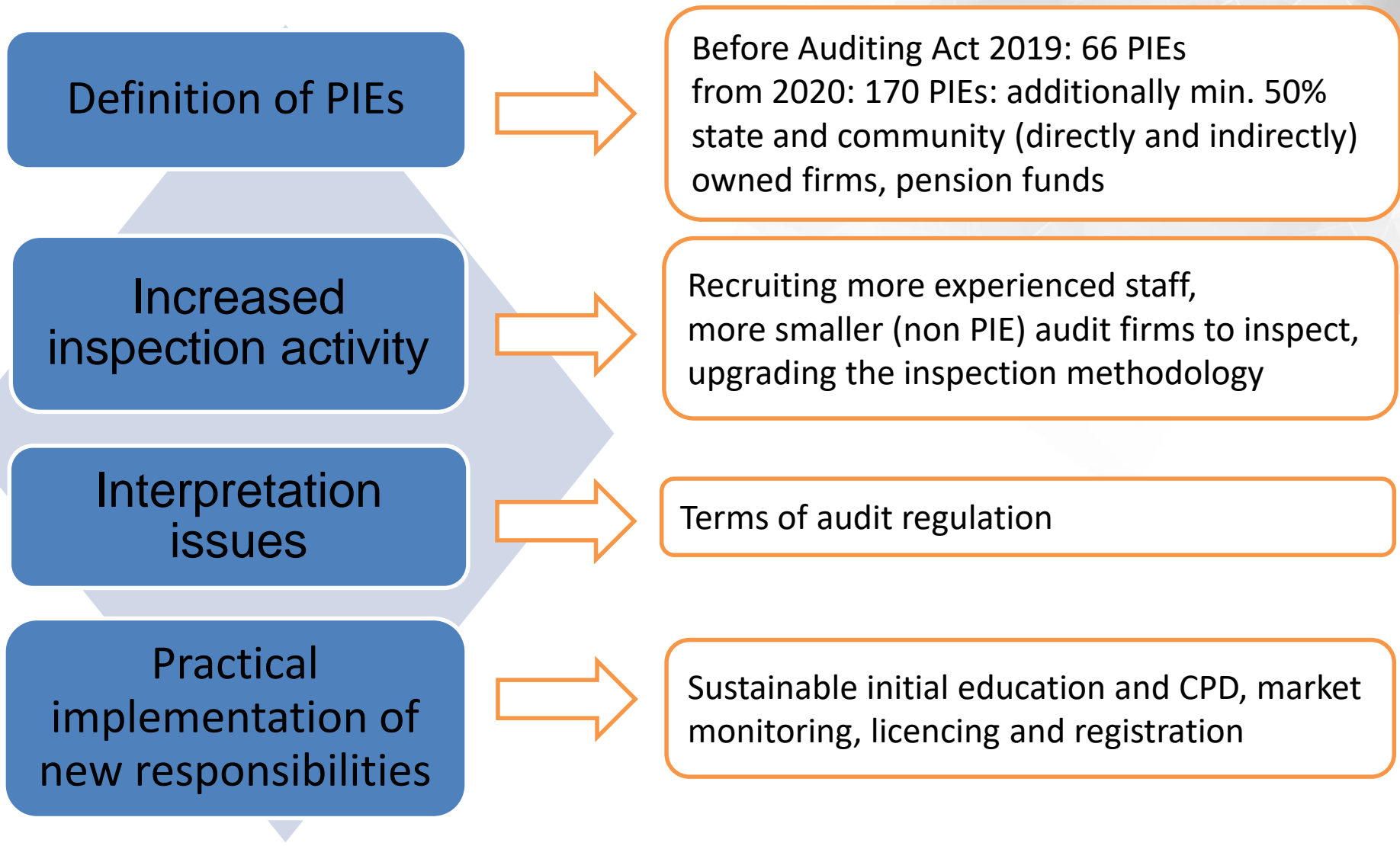
Inspections

- Increase in the number of audit firms inspected: APOA became competent authority for PIE and non PIE audit firms and auditors (before the new legislation the Slovenian Institute was also responsible for inspections of non PIE audits)
- Risk based approach

Sanctions

- APOA is directly responsible for sanctioning procedures of all audit firms and certified auditors.
- Administrative courts are responsible for appeals only
- Pecuniary sanctions (natural/legal persons)

Key challenges of implementing the EU Audit Reform



Key challenges: Practical implementation of new responsibilities

Education (initial and CPD)



Possibility of delegating these tasks; APOA Rules (currently in the process of choosing the provider and signing delegation agreement)

Licencing and registration



Application of IT support, registry from the Slovenian Institute of Auditors (outdated and incomplete data regarding the new act)

Auditing rules



Hierarchy of audit rules, ISA translations (recommendations, good practice)

Adoption of the regulations



Tariff for audit firms, prohibited services, CPD rules, audit firms monthly reporting

Tasks and competencies of APOA (part 1)

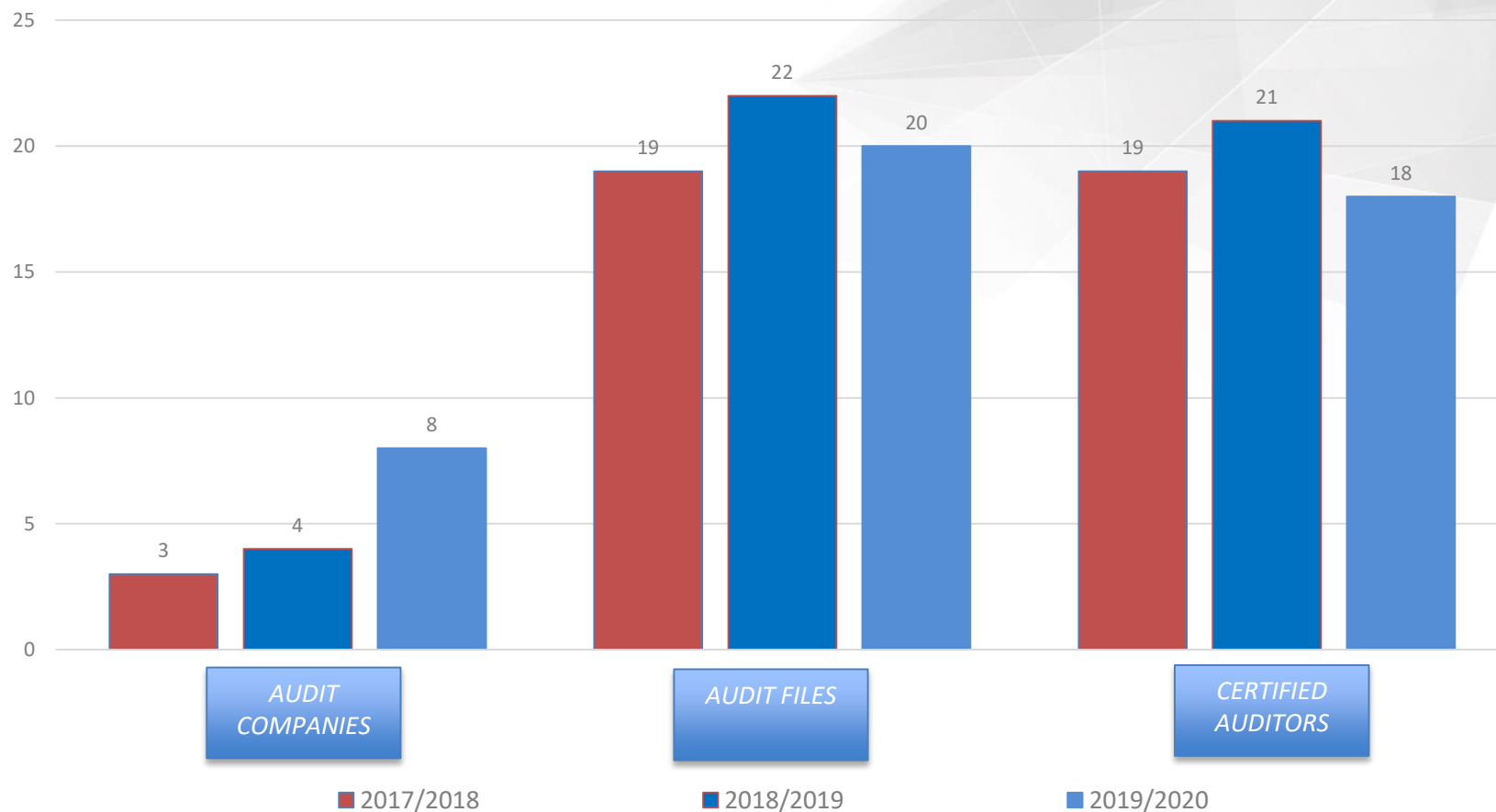
1. **adopting auditing rules and providing translations of International Standards on Auditing, defining the hierarchy of auditing rules:**
 - the use of ISAs (IFAC) is mandatory in all audit services
 - all ISAs are translated into Slovenian language
 - challenges: SIA is member of IFAC, with the copyright and the right to publish the translated ISAs on their website
 - International code of ethics (IFAC)
 - HIERARCHY OF AUDIT RULES [LINK](#)
 - Responsible for all the guidelines, explanations, good practice
2. **licensing of certified auditors, audit companies and third country audit entities**
3. **keeping registers of certified auditors and audit firms**

4. organization of basic training for the award of the title of certified auditor and organization of additional training for certified auditors
5. defining the professional competencies and experience required to perform the tasks of certified auditors
6. organising professional training, carrying out examinations of professional competence, and issuing certificates
7. inspections of the work of audit companies, certified auditors and certified appraisers
8. performance assessment of audit committees
9. imposing decisions in inspection procedures of the quality of work of audit companies and certified auditors and impose measures of inspections



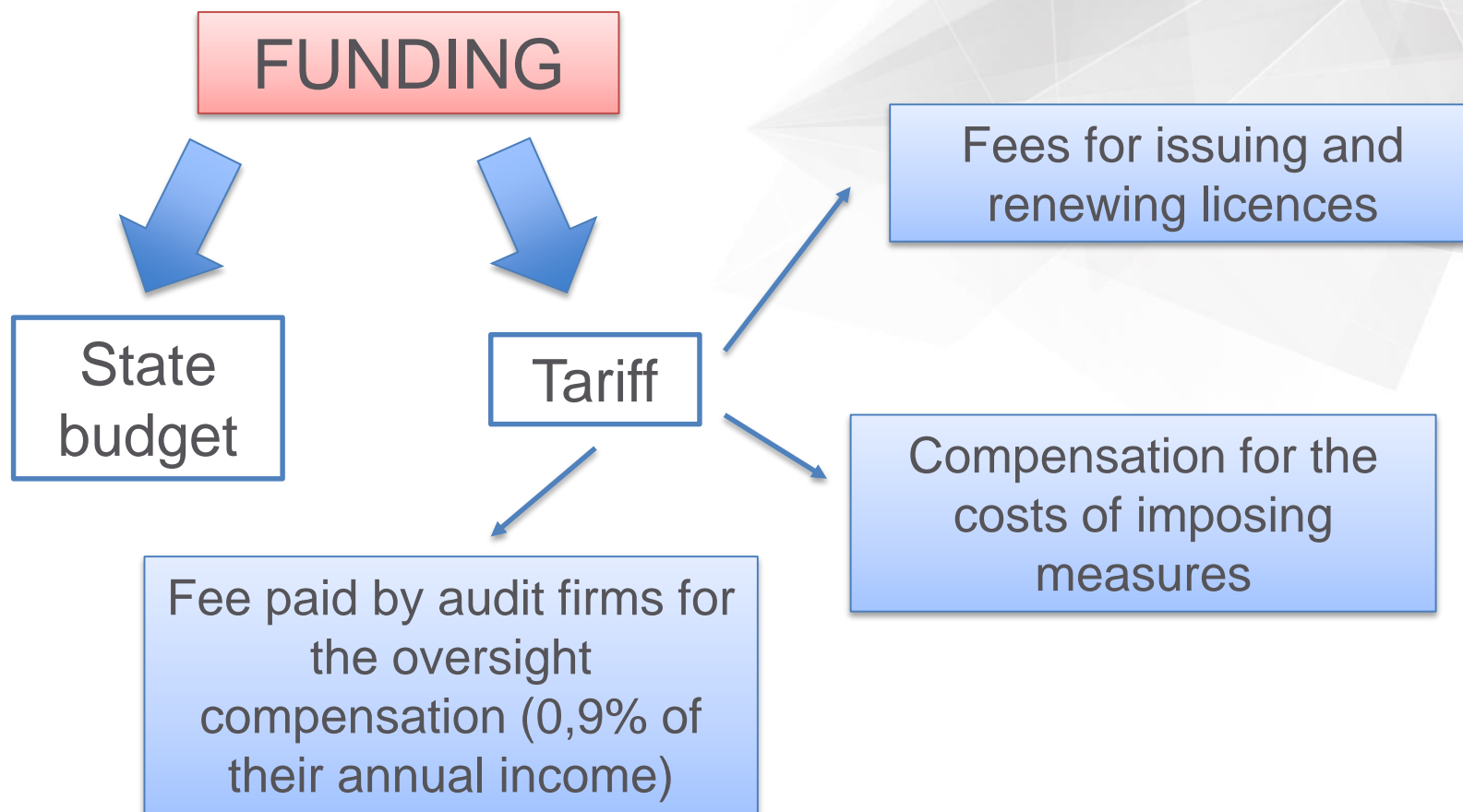
Inspections carried out since 2017

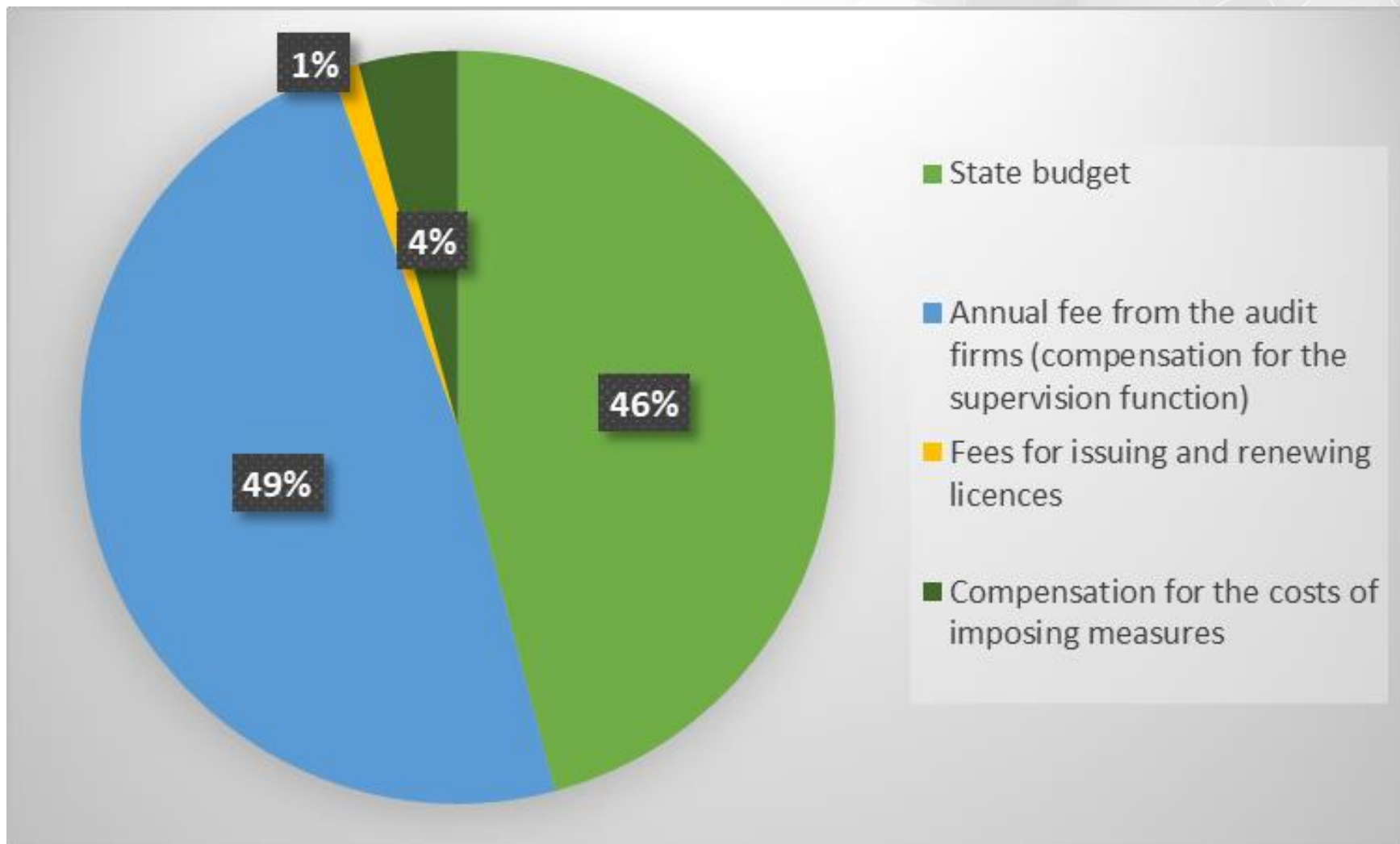
Inspections carried out in the last three inspections cycles



- Before 2019: public companies, banks, insurance companies (current situation: 62)
- **EXTENDED DEFINITION OF PIEs FROM 1.1.2020:**
- pension companies
- audited majority state owned companies
- **30.3.2021:** 170 PIEs SJI
- publication of quarterly data on the status of PIE on the APOA website: <https://www.anr.si/subjekti-javnega-interesa>
- 18 audit companies are PIE auditors – obligatory 3 year inspection cycle
-

- Revenue 2020: 566.994 EUR; plan 2021: 620.000 EUR





- Civil servants
- Mandatory Government approval to increase the staffing plan
- Challenging to recruit the experienced certified auditors to become inspectors (work life balance)
- Currently: 9 people (5 inspectors)
- Plan in 2023: 13 people (6-7 inspectors)

COOPERATION BASED ON MUTUAL COOPERATION AGREEMENTS

GOAL: more effective performance of its tasks in areas falling within the remit of the authorities to the agreements; exchange of supervisory findings and to exchange information about financial markets in connection with the audit:

- Bank of Slovenia
- the Securities Market Agency
- the Insurance Supervision Agency
- the Financial Administration of the Republic of Slovenia

COOPERATION WITH SLOVENIAN INSTITUTE OF AUDITING

- **Annual report**, must be audited on annual bases: to be approved by the Ministry of Finance, the Government and the National Assembly of the Republic of Slovenia
- **Annual financial and work plan**: to be approved by the Ministry of finance
- **Annual report on measures**
- **Annual report on the review of the quality of auditing** and valuation, which contains the main findings of the review.
- **Annual report on all administrative measures and all sanctions imposed** on certified auditors and audit firms in summary form. Information on administrative measures and sanctions imposed is provided to the CEAOB (Committee of European Audit Authorities)

APOA ensures the publicity of the work by publishing the reports on its websites

- Staff shortage & recruitment
- Changes in auditing rules
- Reduction of the number of certified auditors
- Low audit prices
- Interpretation of EU legislation
- ACCA – mutual recognition proces with EU

