

Quality Control Reviews in Slovenia

Legal framework and General approach

Legal framework of QCR

General approach to QCR

- a) organization of quality assurance inspections
- b) inspection cycles
- c) follow-up by the APOA after inspections and
- d) public reporting

QCR in practice

- a) targeting of inspections
- b) risk-based approach
- c) questionnaires used in inspections
- d) inspections of SME practices
- e) ...

Q&A

Milestone in 2019

Public oversight consists of:

- Investigations and monitoring,
- Reporting
- Quality Control Reviews of:
 - Audit firms
 - Statutory Auditors
 - (Certified Appraisers)

Financing of QCR

- Annual fee paid by Audit firms
- Fee must cover the actual costs of inspection
- It is set to 0,9% of annual audit firm's income

Overall financing of Agency

	2019	2020
Annual Fee (Audit Firms)	53,6%	51,5%
State Budget	46,4%	48,5%

Agency's Inspectors and their support

Team:

- 5 Inspectors
- 2 Lawyers
- 1 Administrator

Conditions to become Inspectors

Inspectors' background

Specialization

Outsourcing

Carrying out an Inspection

Inspection must be compliant with:

- Auditing Act and
- General Procedure Code

Strategic Plan

Annual Plan

Planing the Inspection Year

- Basis for planning:
 - Mandatory cycle (3Y PIE audit firms; others 6Y)
 - Risk analysis (...)
- Approved by Expert council (usually in December for the next year)

Inspection Procedure



**Request
for
Quality
Review**



Inspection
Firm level
Auditor level



Report

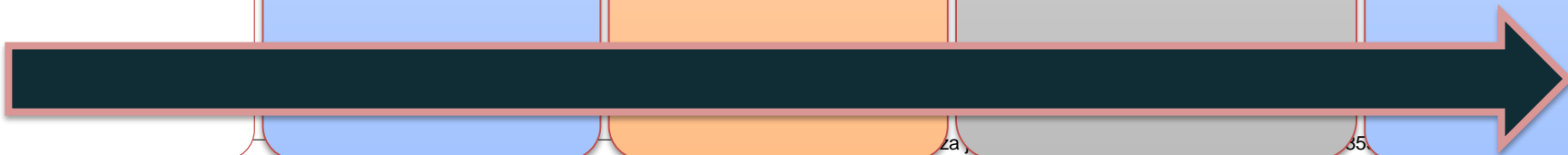
- Draft Report
- Final Report



Action Plan
Report on compliance with recommendation



Follow-up



Inspection Cycles

Auditing Regulation and Directive (ARD) & Auditing Act:

The inspection of an audit shall be carried out so that:

- each audit company carrying out statutory audits of PIEs shall be supervised at least every three years;
- other audit companies are supervised at least every six years.

Inspection frequency in practice.

Definition of PIE

Befor 2020

public-interest entity is a company whose securities are traded on a regulated market, or a credit institution as defined by the Act governing banking, or an insurance company, as defined by the Act governing insurance.

After 2020

+ (added with Auditing Act)

a company subject to statutory audit in which the state or municipalities, together or independently, directly or indirectly, have a majority ownership share.

A public interest entity may also be another legal entity liable for statutory audit, if so provided by another law.

	2019	2020
No. of PIE	65	172
No. of PIE Auditors	9	18

PIEs by type	2019	2020
Credit Institutions	15	14
Insurance Companies	15	15
Public Companies	34	27
Others	1	116

PIE Audit Market	2018	2019
Big 4 PIE Audit Market Share	72 %	56 %
Rest of PIE Audit Market Share	28 %	44 %

Definition of Auditing

Auditing means:

- the auditing of financial statements
- other assurance engagements
 - auditing except the auditing of financial statements
 - review engagements

and

- agreed-upon procedures engagements

... carried out on the basis of International Federation of Accountants rules

Conditions to carry out a inspection

- Business Premises
- Presence of Firm's Authorised Representative
- Computer-administered documentation and records
- ... in practice

Approach to Audit Firm and Statutory Auditor inspection

- Legislation
- Audit Firm Inspection Focus
- Certified Auditor Inspection Focus

Inspections from 2017 to 2020

	2017/2018	2018/2019	2019/2020
Audit Firms	3	4	8
Audit Files	19	22	20
Certified Auditors	19	21	18

(Significant) Finding

- Definition
- Overall Assessment of findings

No. of findings *(Audit Firm level in year 2020)*

AUDIT FIRM	SIGNIFICANT FINDINGS	FINDINGS	Sanction
Audit firm 1	7	6	TP
Audit firm 2	2	7	-
Audit firm 3	1	7	-
Audit firm 4	6	1	2 OtRVs
Audit firm 5	2	5	OtRV
Audit firm 6	3	3	OtRV
Audit firm 7	4	1	OtRV
Audit firm 8	1	2	-
TOTAL	26	32	

Legend:

OtRV - an order to rectify violations

TP - Temporary prohibition to carry out statutory audit

No. of findings *(Statutory Auditor level in year 2020)*

CERTIFIED AUDITOR	SIGNIFICANT FINDINGS	FINDINGS	SANCTION
Certified Auditor 1	13	2	Reprimand
Certified Auditor 2	11	3	Reprimand
Certified Auditor 3	12	20	WoL
Certified Auditor 4	5	7	Reprimand
Certified Auditor 5	5	10	-
Certified Auditor 6	4	2	Reprimand
Certified Auditor 7	4	8	-
Certified Auditor 8	4	10	-
Certified Auditor 9	4	17	-
Certified Auditor 10	3	0	-
Certified Auditor 11	3	6	-
Certified Auditor 12	3	3	-
Certified Auditor 13	2	3	-
Certified Auditor 14	2	2	-
Certified Auditor 15	1	2	-
Certified Auditor 16	1	4	-
Certified Auditor 17	1	6	-
TOTAL	78	105	

Legend:

WoL - withdrawal of licence

Significant Findings in 2020

ISA	PRAVILA REVIDIRANJA	ŠT. POMEMBNIH UGOTOVITEV
ISA 230	Audit Documentation	16
ISA 500	Audit Evidence	16
ISA 315	Identifying and Assessing the Risk of Material Misstatements through Understanding the Entity and its Environment	15
ISA 330	The Auditor's Responses to Assessed Risks	14
ZRev-2	The Auditing Act	10
ISA 530	Audit Sampling	8
ISA 220	Quality Control for an Audit of Financial Statements	7
ISA 300	Planning an Audit of Financial Statements	7
ISA 700	Forming an Opinion and Reporting on Financial Statements	7
ISA 450	Evaluation of Misstatements Identified during the Audit	6
ISA 240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	4
ISA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	4
...

Inspection Report

- Purpose
- Draft / Final
- The Content of the Report
- To whom is addressed
- Further procedure

Audit Firm's or Certified Auditor's Post-Inspection Activities

- Purpose of inspection
- Action plan
- Ending of inspection
- Audit Firm Implementation Process
- Follow-up

Thematic Inspection (TS)

- Purpose
- Approach
- Thematic Inspections areas:
 - KAM
 - NAS (*non-audit services*)
 - Transparency Reports
 - Audit Committees (*Composition, Communication with Auditor, Report to Audit committees, ...*)

Public Reporting

- Transparency
- Types of Reports:
 - Annual Report (*including report on fulfilling Audit regulation's obligations*)
 - Annual work program (plan)
 - Annual Quality Review Report (*Report on overall results of the Quality Assurance System*)
 - Report on Administrative Measures and Sanctions Imposed

Reporting to International Institutions

- Reporting to EC (*Market Monitoring Report*)
- Reporting to CEAOB (*Inspection findings databes of PIE Audits*)
- Reporting to IFIAR (*Survey of Inspection Findings*)

Cooperation with other Regulatory Bodies in Slovenia

- Bank of Slovenia
- Assurance Agency
- Security Market Agency

Composition of Agency's Expert Council

Legislation

Auditing Rules

Other Areas of Cooperation

Q&A