



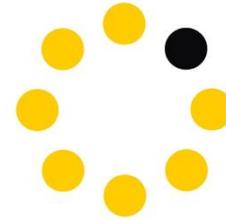
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51 institutes



36 countries



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Member States' implementation of the 2014 EU Audit Directive and Regulation

as of February 2019

This pdf has to be considered in full; slides cannot be seen in isolation.

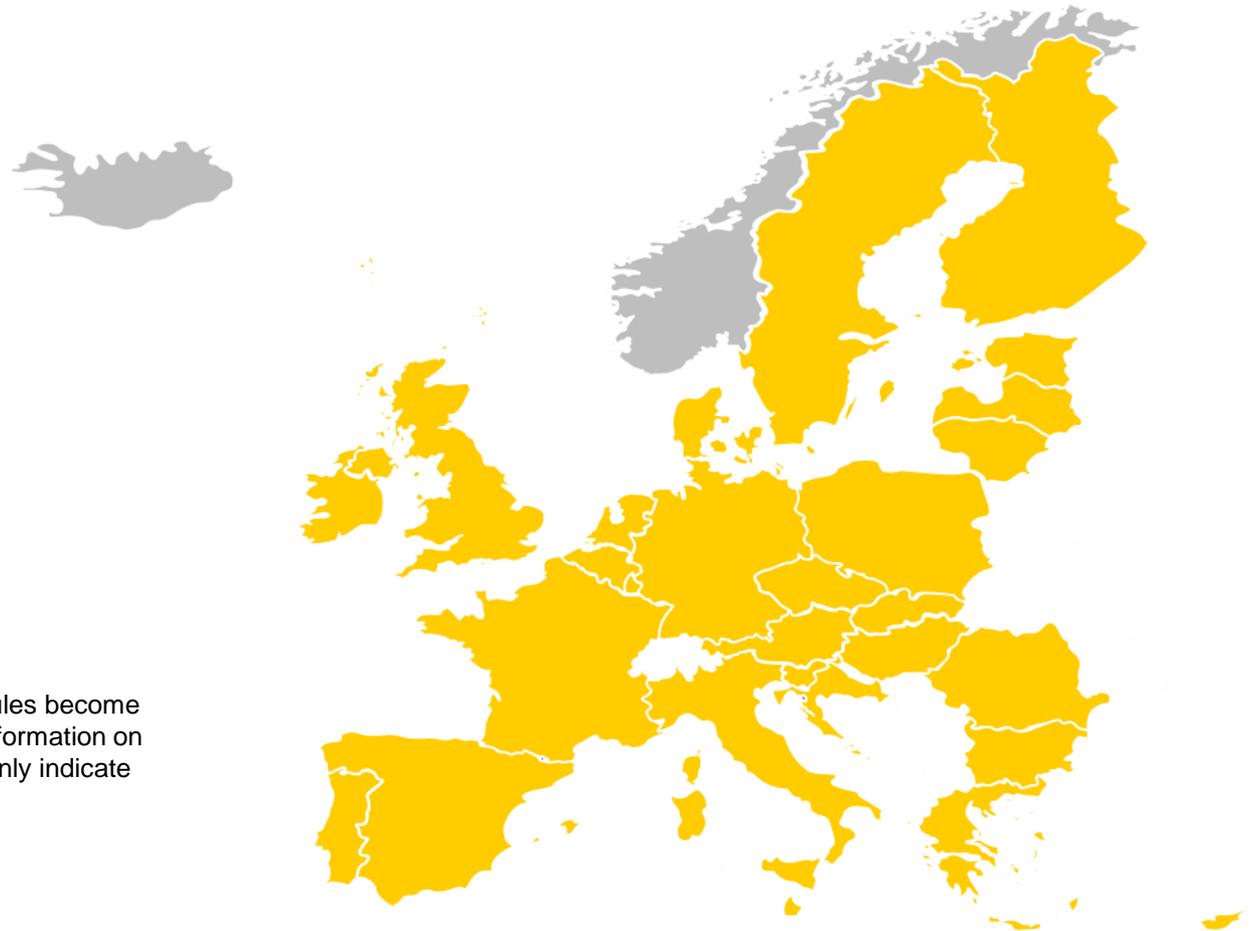
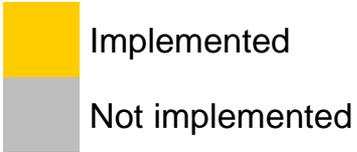
This document is for general illustration purpose only. It includes information on the implementation of the Audit Directive 2014/56/EU and Regulation 537/2014 in 28 European Union (EU) Member States, Norway and Iceland from different sources informally gathered up to February 2019 without any further verification. It may already be out of date and be subject to change. See our [disclaimer](#).

Main topics of the new EU audit rules

- Implementation status
- Definition of a Public Interest Entity
- Prohibition of non-audit services
- Mandatory audit firm rotation
- Public oversight and delegation of tasks to professional bodies

Implementation status

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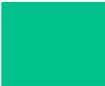
Note: In Iceland and Norway, the new audit rules become applicable later (date to be set). Therefore, information on these countries in the following slides might only indicate 'expectations' and it is subject to change.

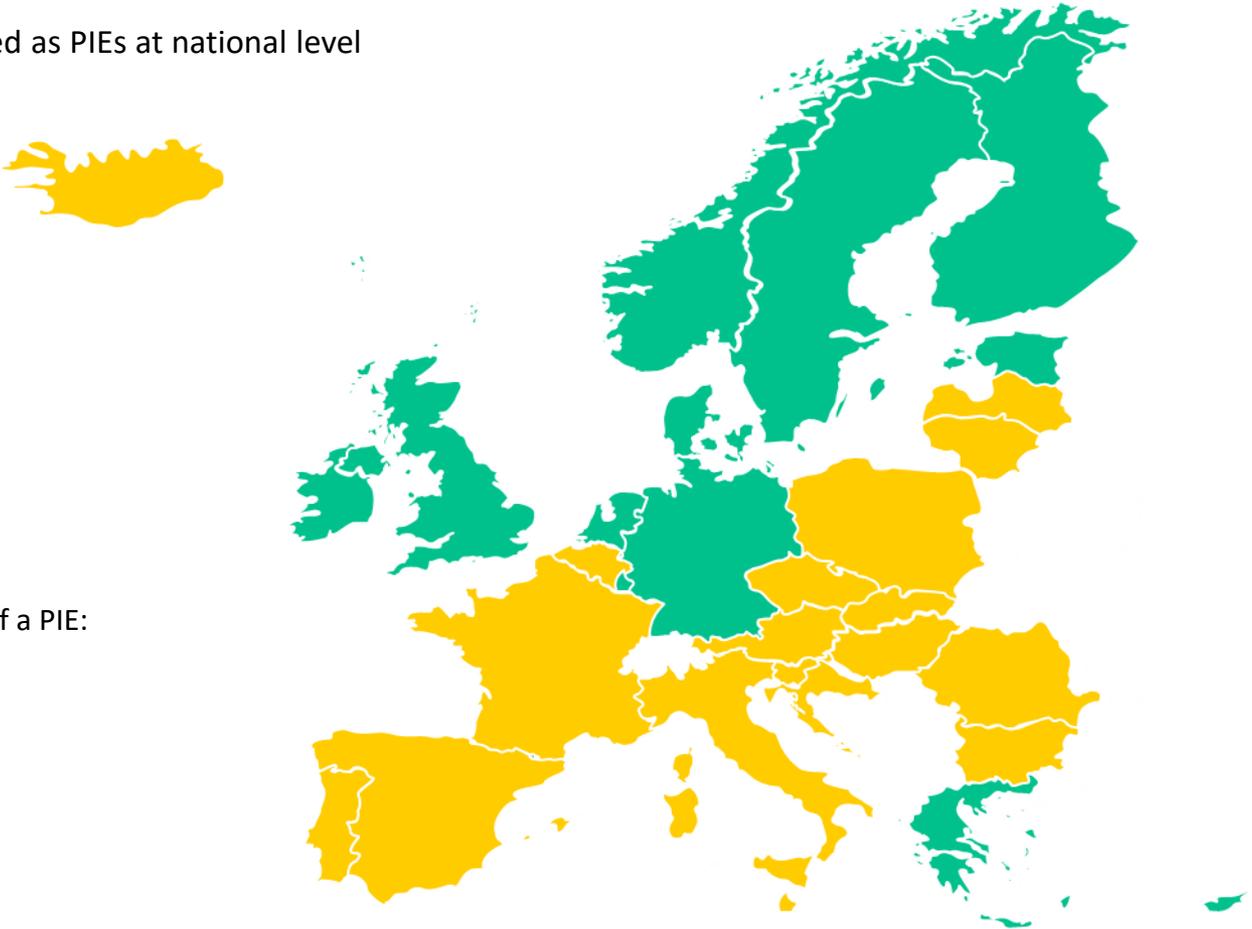
Definition of a Public Interest Entity matters

- 2014 Audit Regulation applies only to audits of Public Interest Entities (PIEs), including the following:
 - Prohibition of non-audit services
 - Mandatory audit firm rotation
 - Public oversight and potential delegation of tasks related to PIE audits

Definition of a Public Interest Entity in Europe

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-  PIEs as per the EU definition*
-  Additional entities designated as PIEs at national level



*2014 EU Audit Directive definition of a PIE:
- Listed entity
- Credit institution
- Insurance undertaking

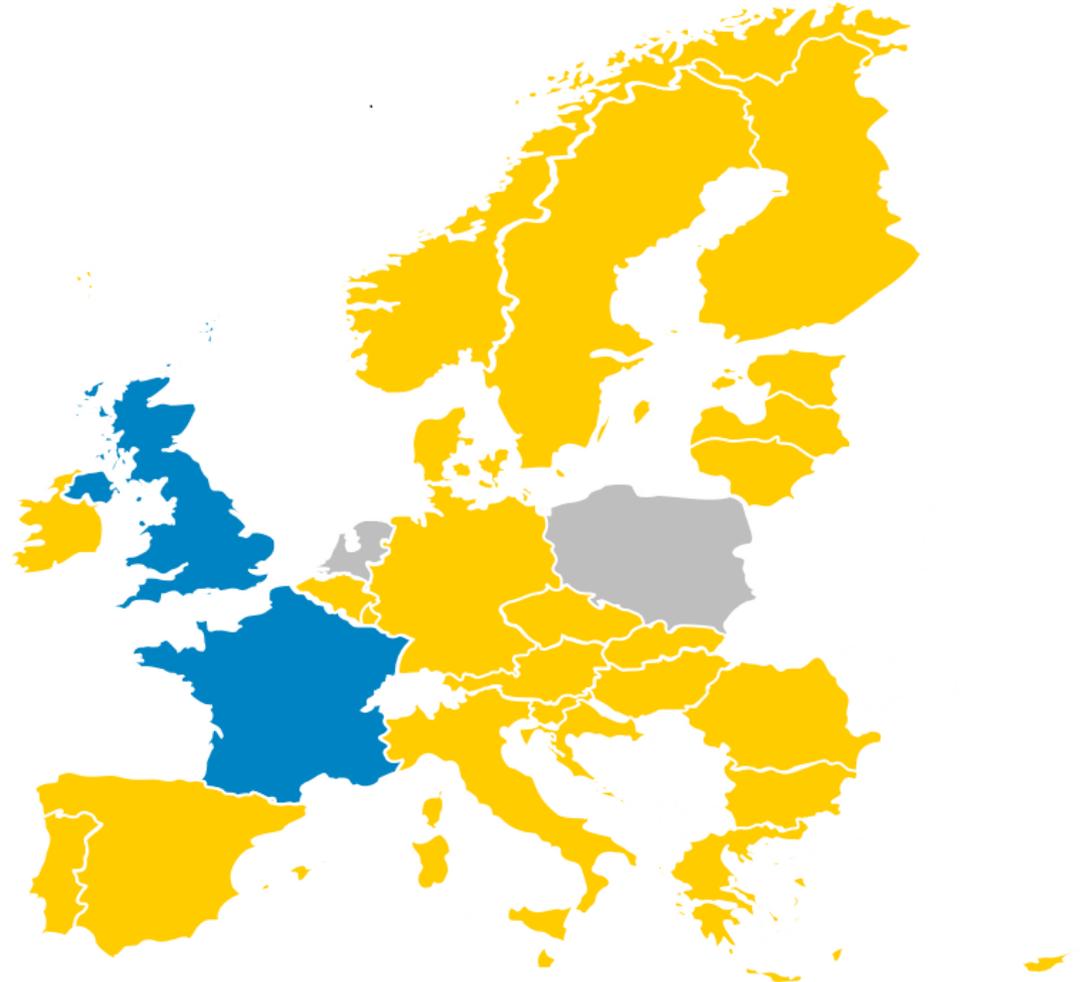
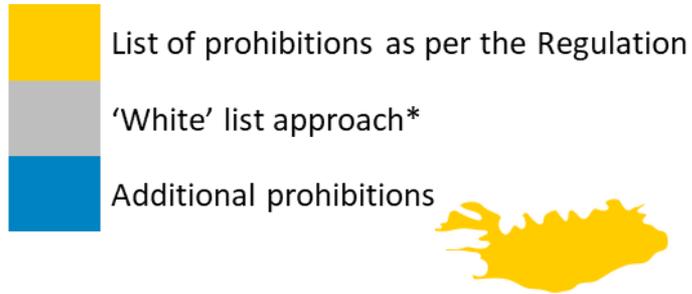
Definition of a PIE in Europe: our take

1. EU definition adopted in 12 countries
2. Extended national definition adopted in 18 countries
3. Overall:
 - Still a wide diversity of definitions across Europe
 - More harmonised and reduced definitions following the 2014 Audit Reform

Non-audit services

Additional prohibitions

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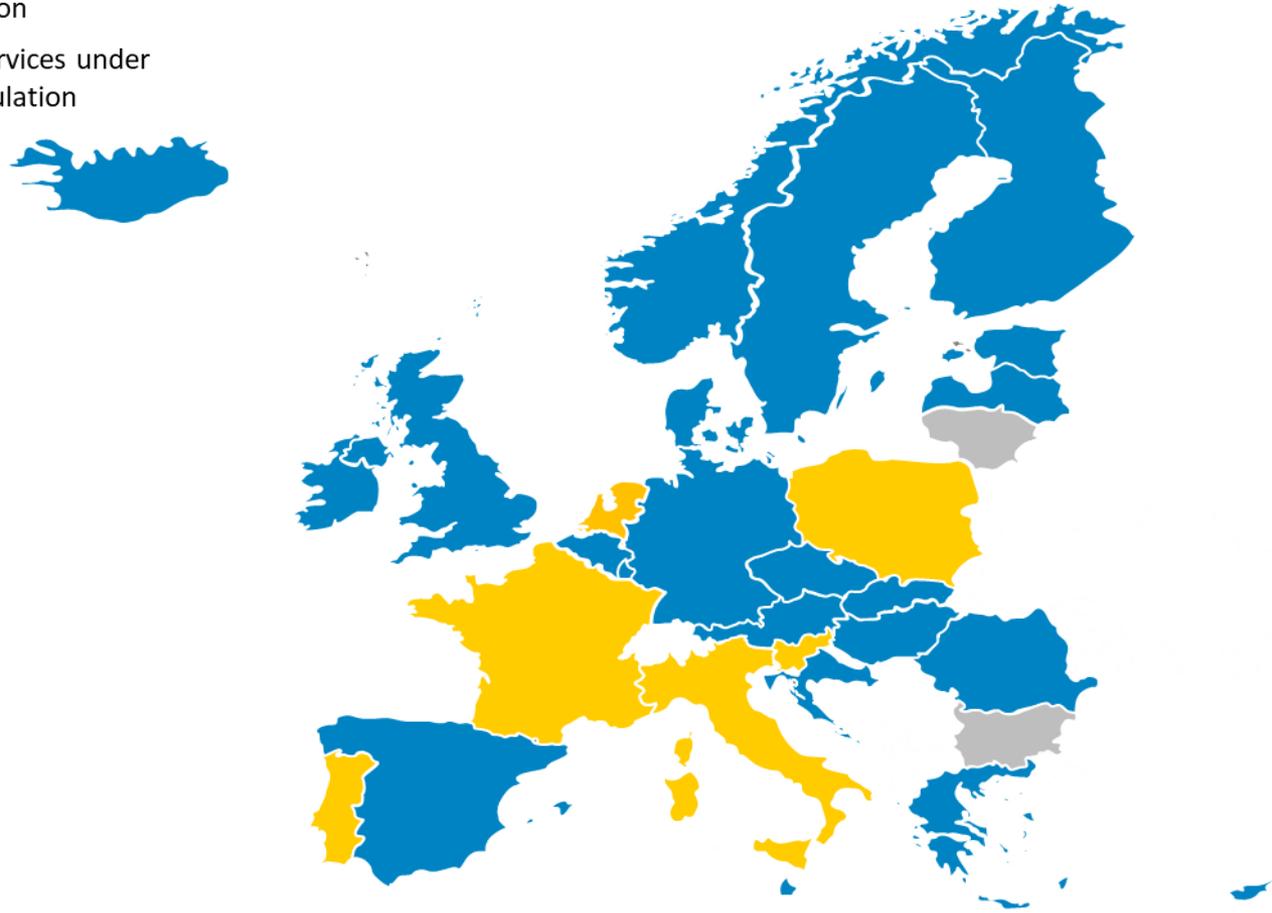
* Auditors and audit firms can only provide the non-audit services included in the 'white' list.

Non-audit services

Derogation of prohibition – Tax & valuation services

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- No
- Certain tax services under the conditions of the Regulation
- Certain tax & valuation services under the conditions of the Regulation

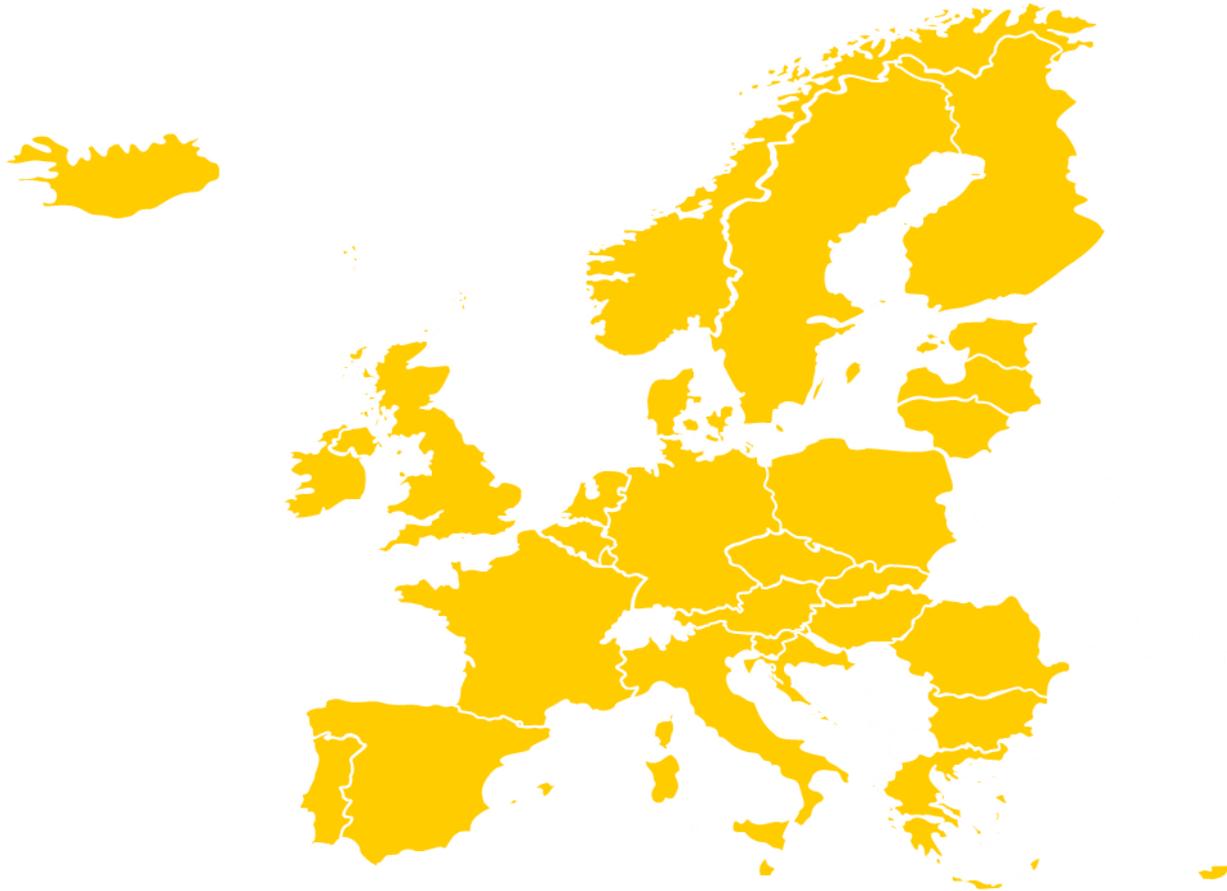


Non-audit services

Allowed non-audit services cap

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 70% cap



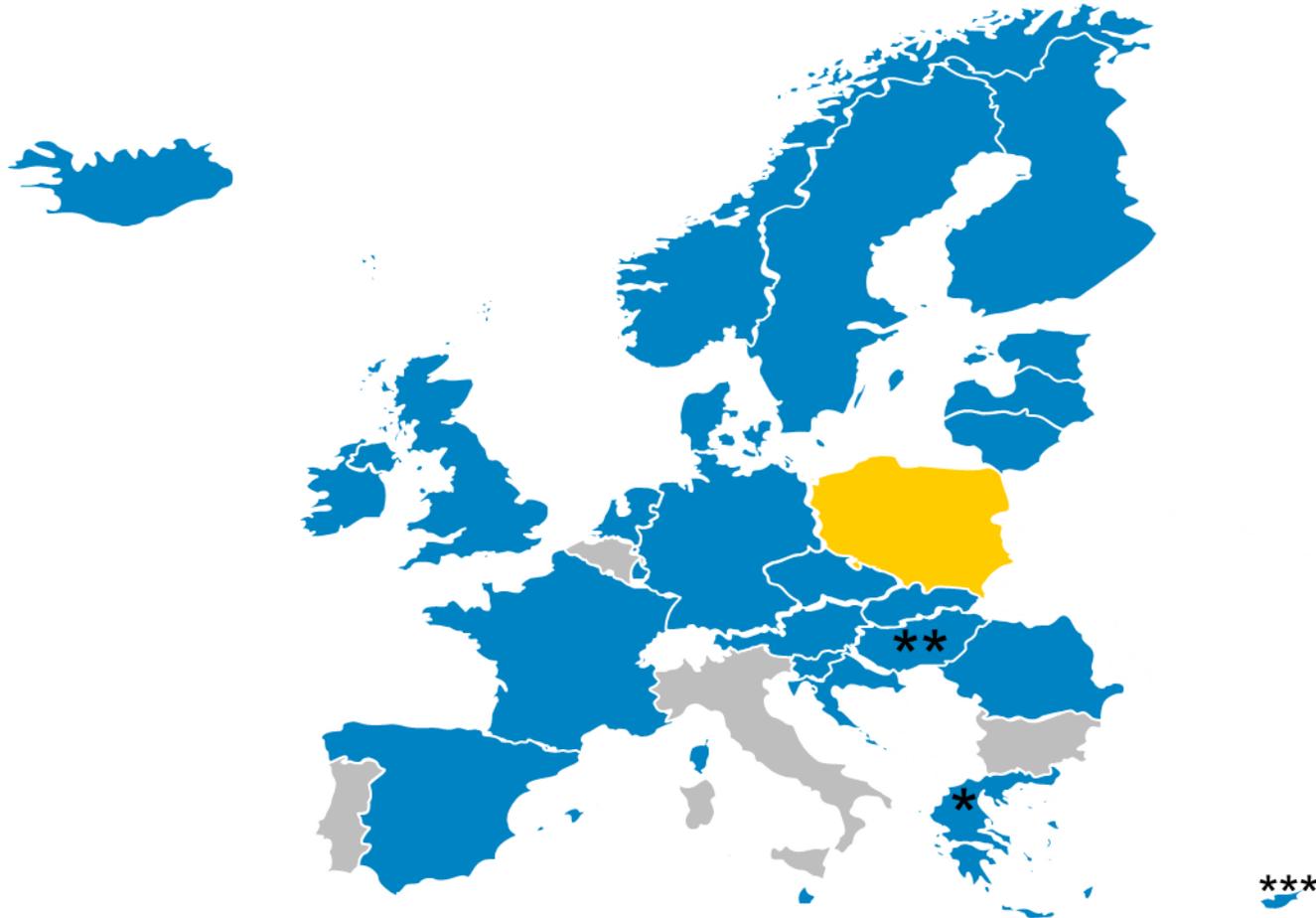
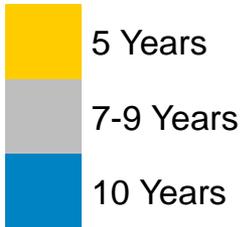
Non-audit services (NAS): our take

1. Clear trend to **stick to the list of prohibitions** included in the Regulation
2. The **large majority** of Member States opted for a **derogation of the prohibition of certain tax and valuation services** within the following conditions of the Regulation:
 - Impact on the audited financial statements is immaterial or none
 - Evaluation of this impact on the financial statements is documented in the additional report to the audit committee
 - Principles of independence, as included in the Directive, are applied by the statutory auditor
3. All Member States opted for the NAS cap of 70% as per the Regulation

Mandatory audit firm rotation

Initial duration of engagement

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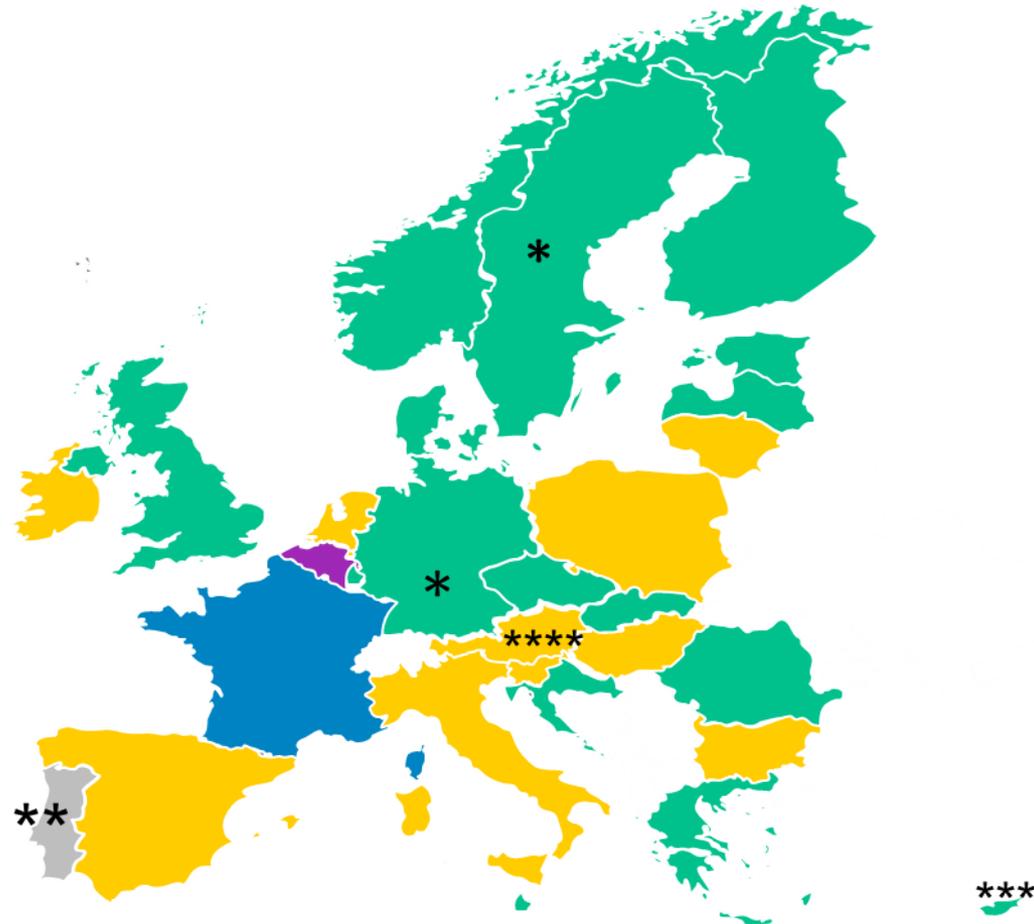


* 5 years for SIFIs
** 8 years for banks
*** 9 years for banks

Mandatory audit firm rotation

Tender extension

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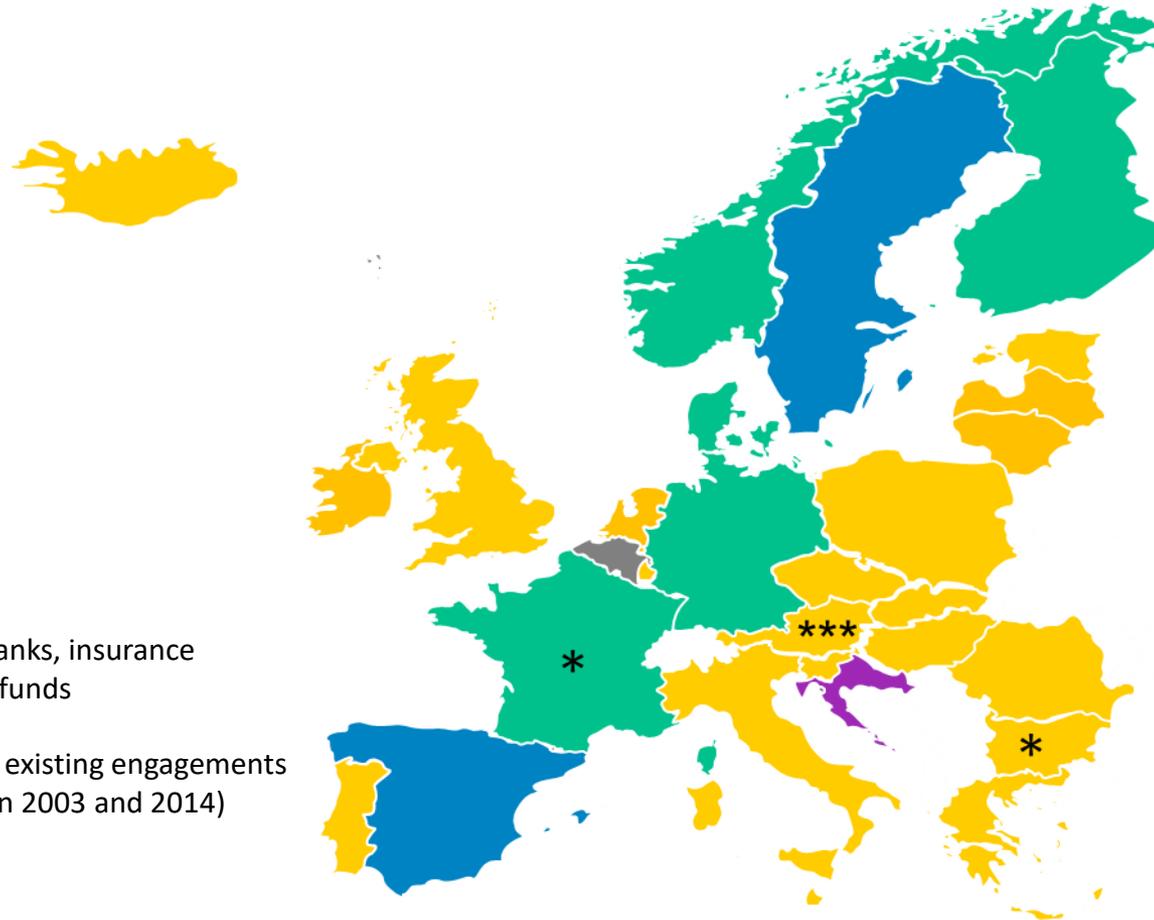
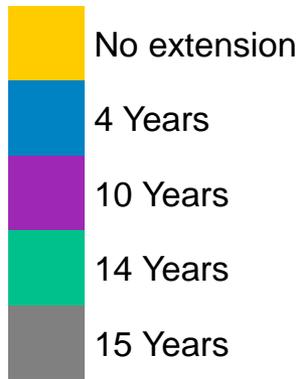


*Extension of duration not applicable to banks and insurance undertakings
** Initial duration of engagement extendable up to 10 years
*** No extension for banks
**** 10 years extension for existing engagements (first appointment between 2003 and 2014)

Mandatory audit firm rotation

Allowed joint audit extension

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* Mandatory joint audit
For Bulgaria it is only for banks, insurance undertakings and pension funds
** No extension for banks
*** 14 years extension for existing engagements (first appointment between 2003 and 2014)

**

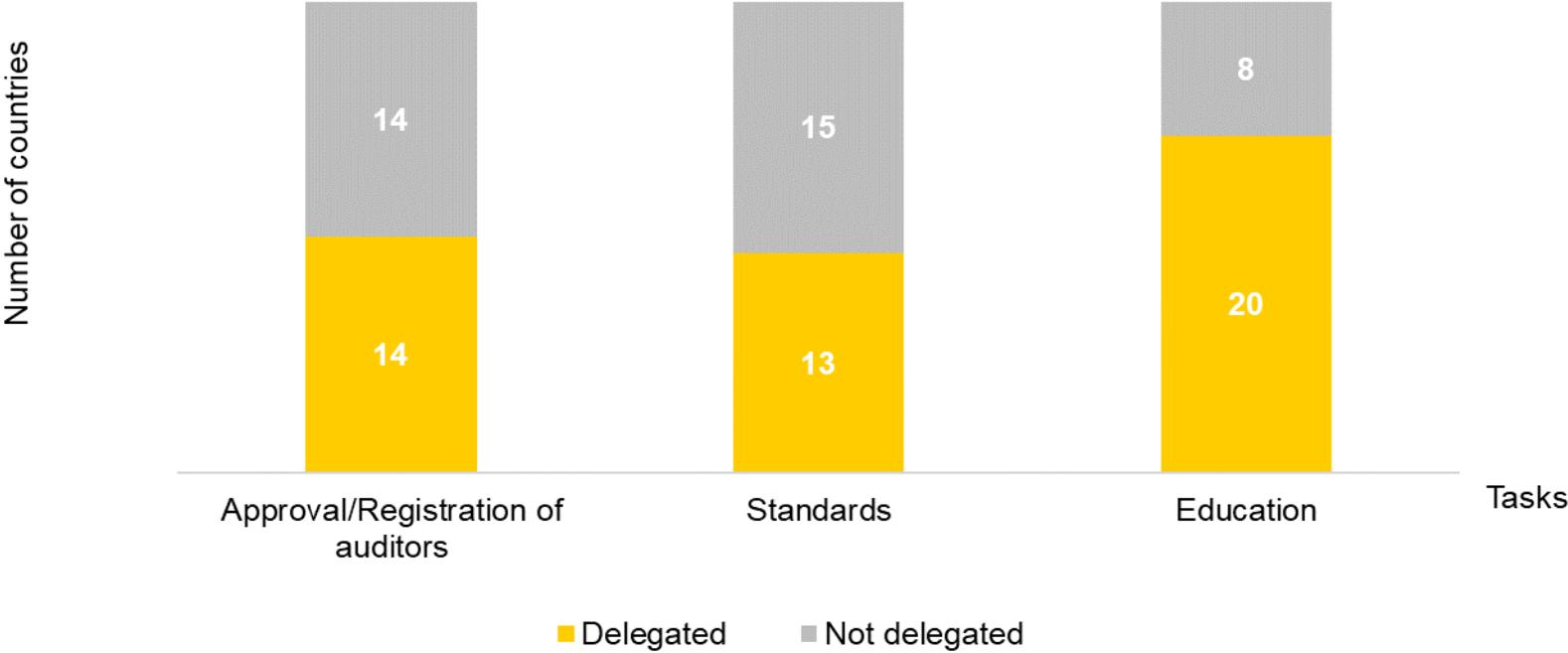
Mandatory audit firm rotation: our take

1. **Consistency** in setting the initial duration of engagement period at **10 years**
2. **Damageable divergences** on the duration and the use of the option to allow extensions of the initial duration
 - **Tender:** 18 Member States with 4 different periods
 - **Joint audit:** 9 Member States allow it with 4 different periods
3. Overview: **17 different mandatory audit firm rotation regimes** across the European Union

Public oversight

Delegation of tasks for audits of PIEs*

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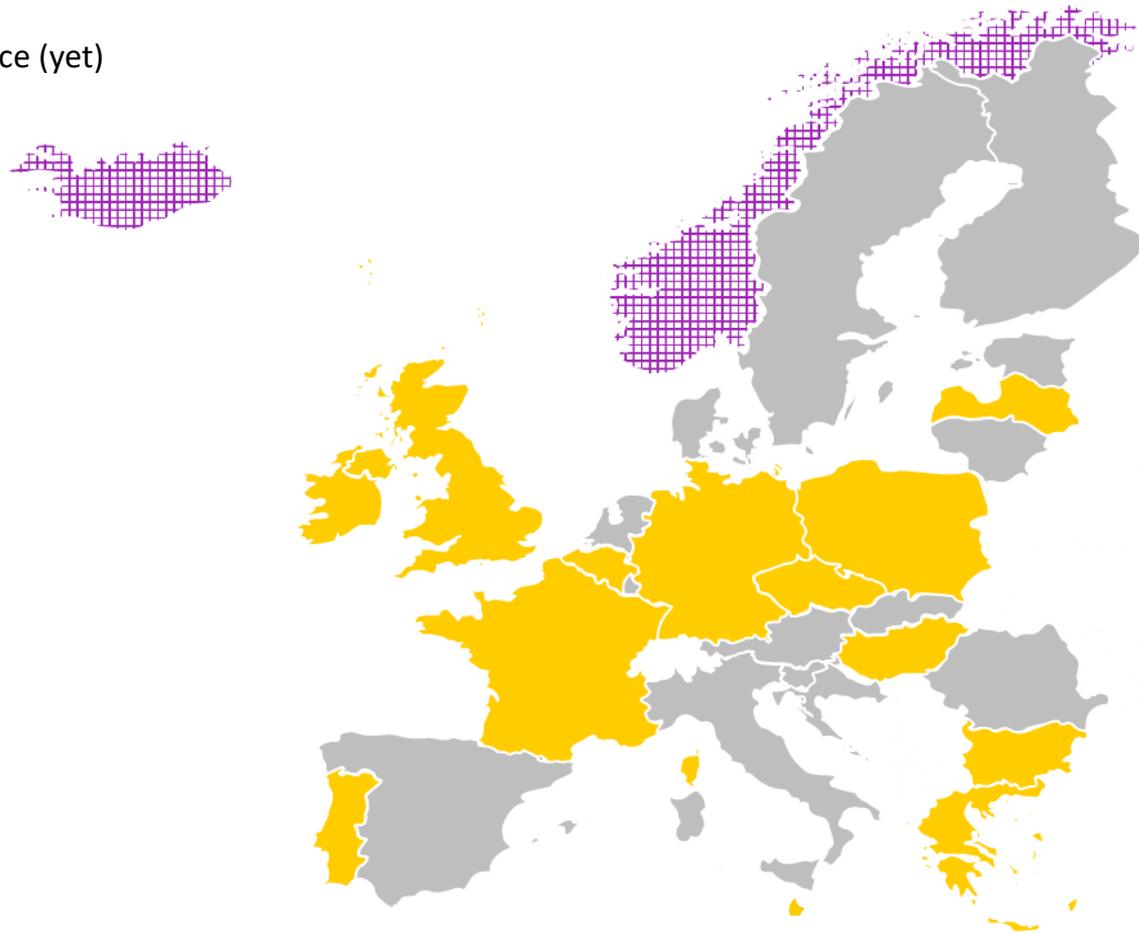
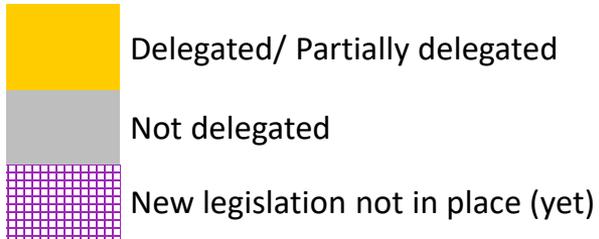


* Includes also partial delegation. The graph presents information on 28 EU Member States.

Approval/ Registration of auditors

Delegation of tasks for audits of PIEs

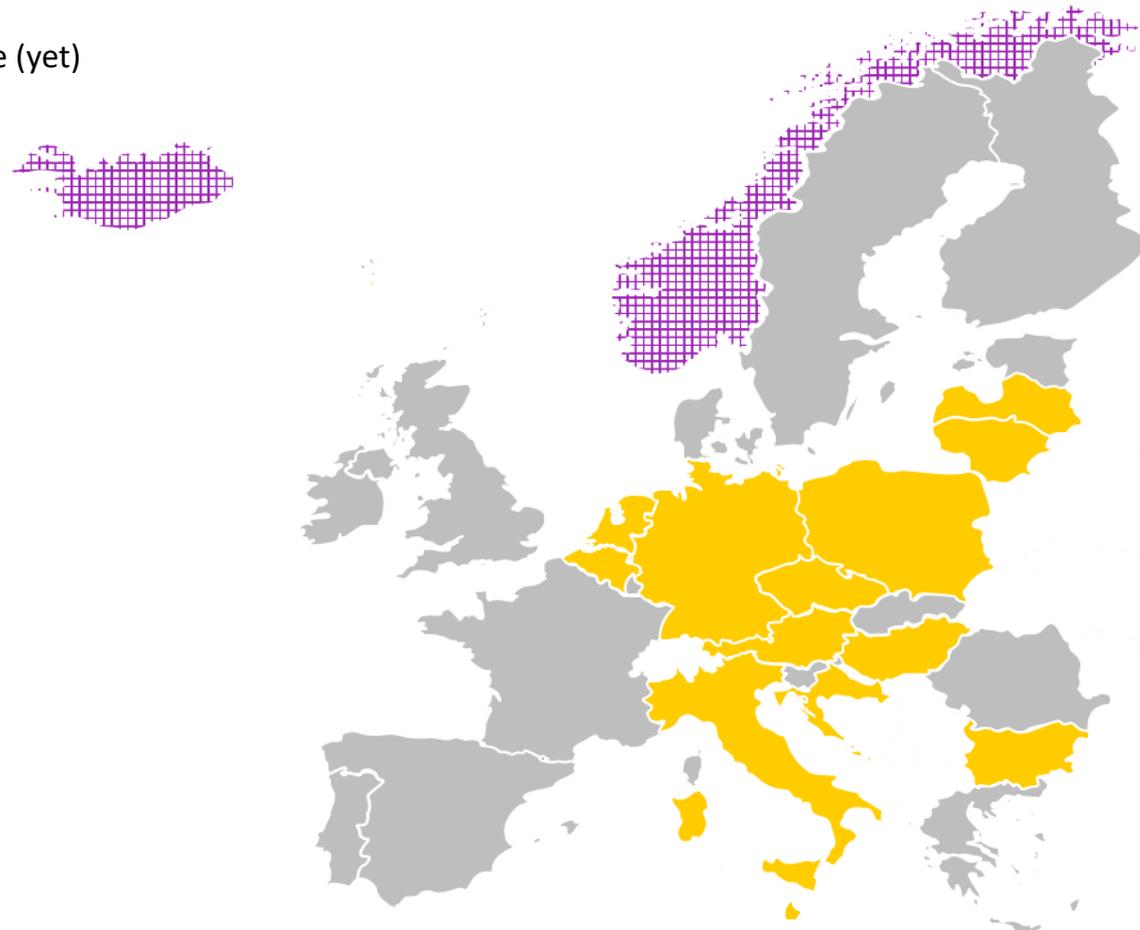
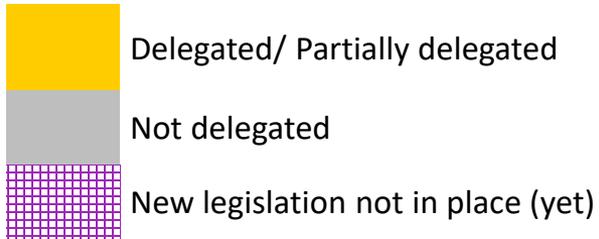
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Standards

Delegation of tasks for audits of PIEs

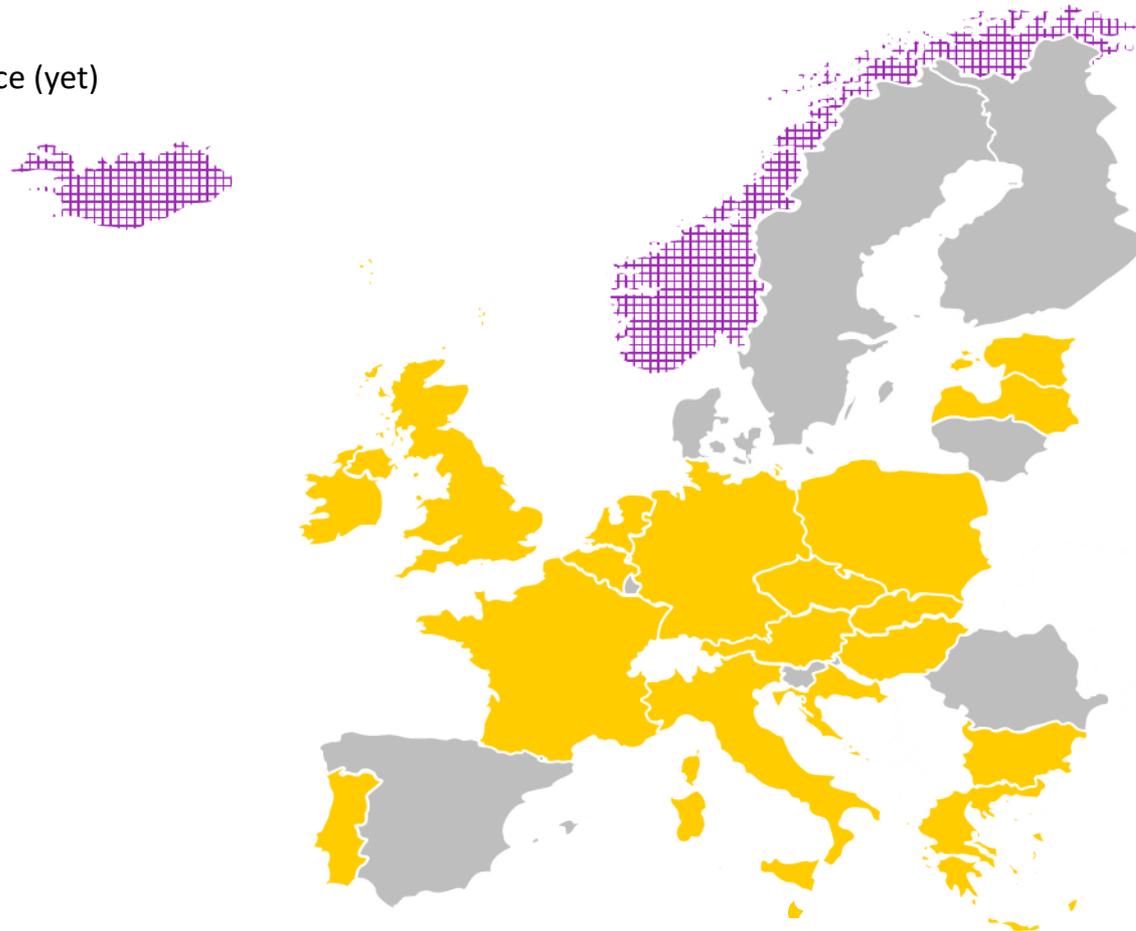
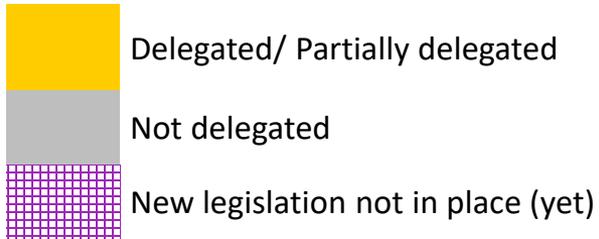
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Education

Delegation of tasks for audits of PIEs

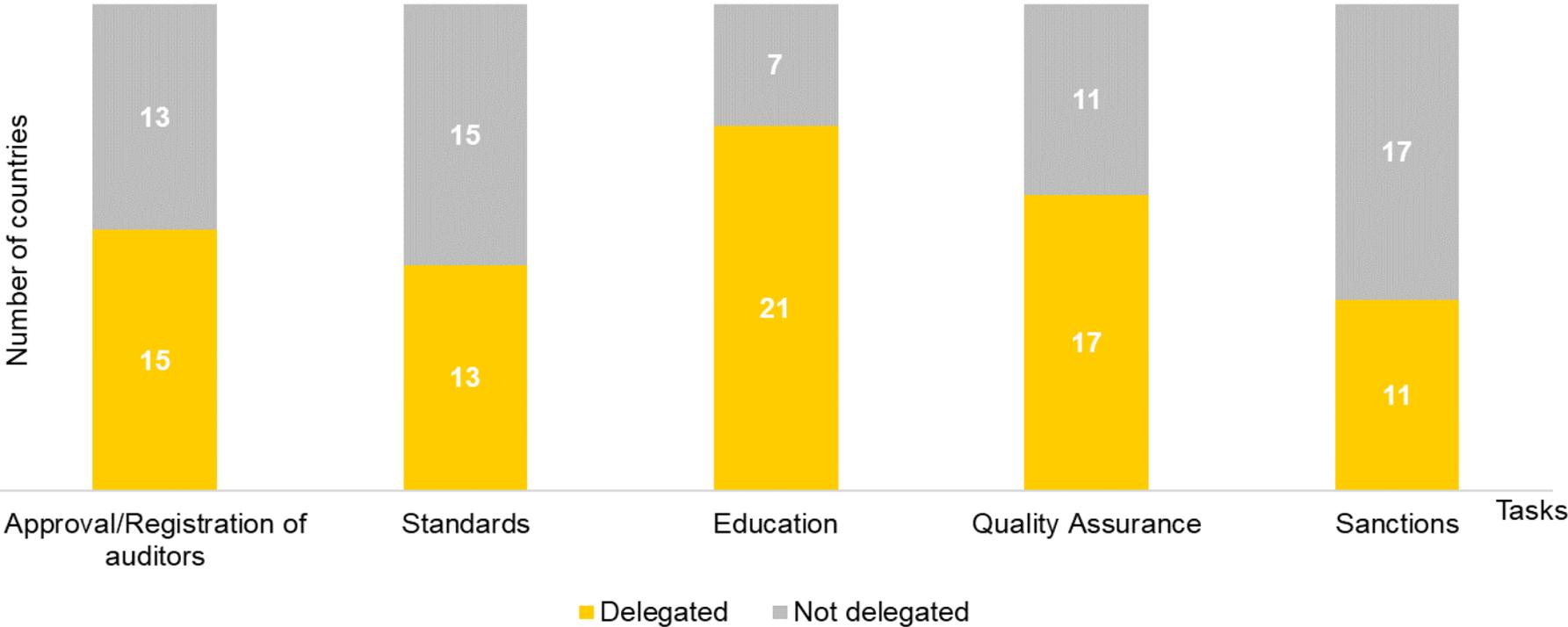
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Public oversight

Delegation of tasks for audits of non-PIEs*

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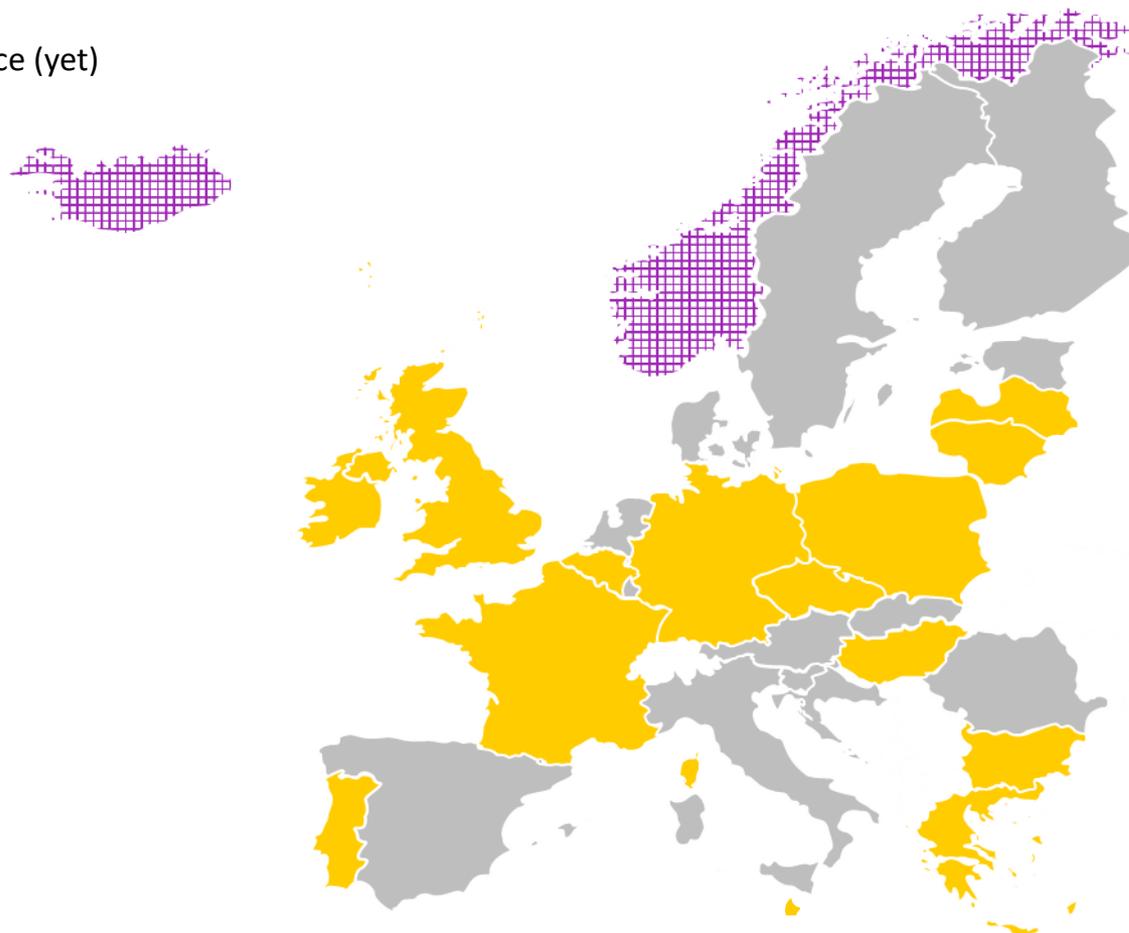
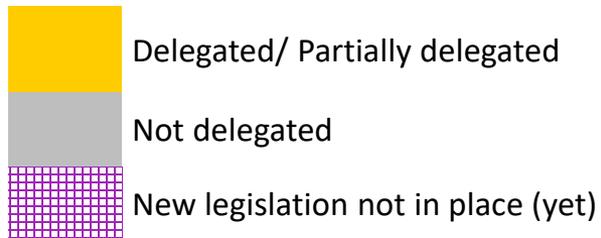


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Approval/ Registration of auditors

Delegation of tasks for audits of non-PIEs

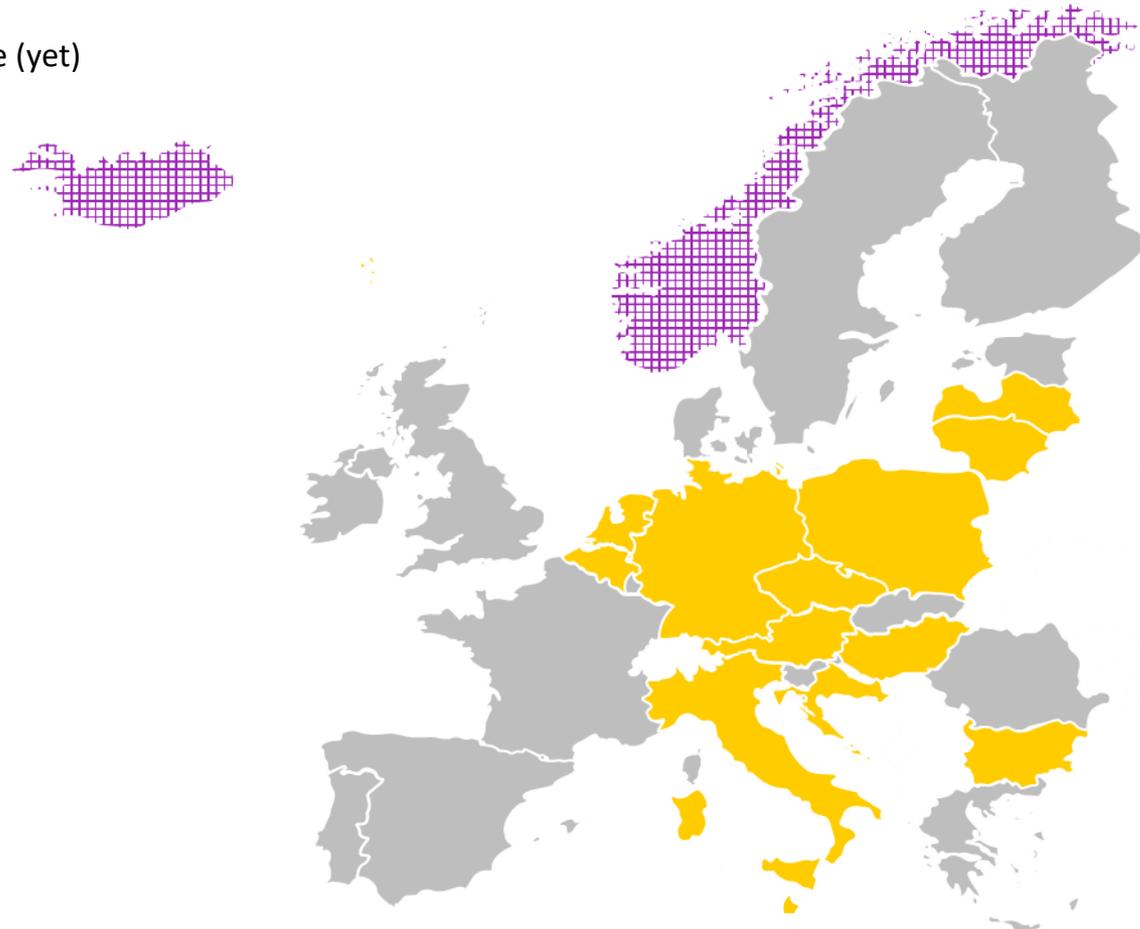
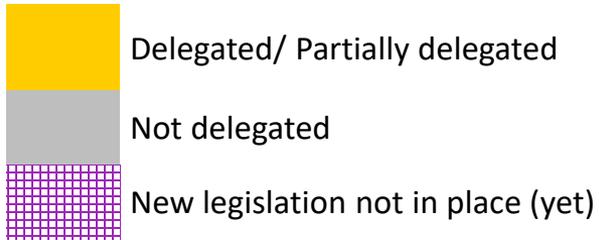
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Standards

Delegation of tasks for audits of non-PIEs

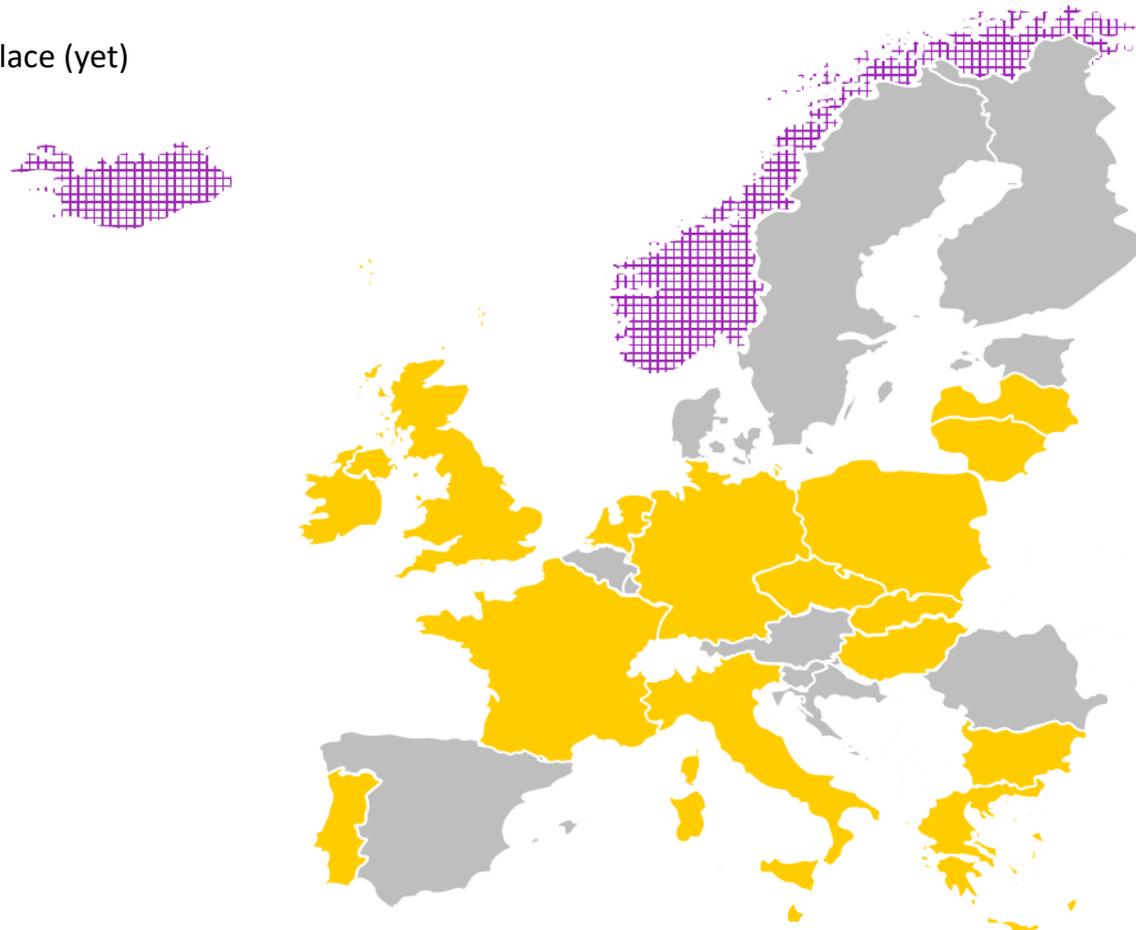
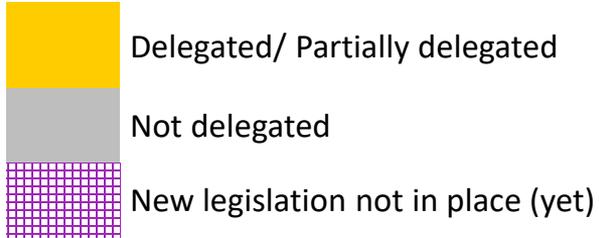
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Quality assurance

Delegation of tasks for audits of non-PIEs

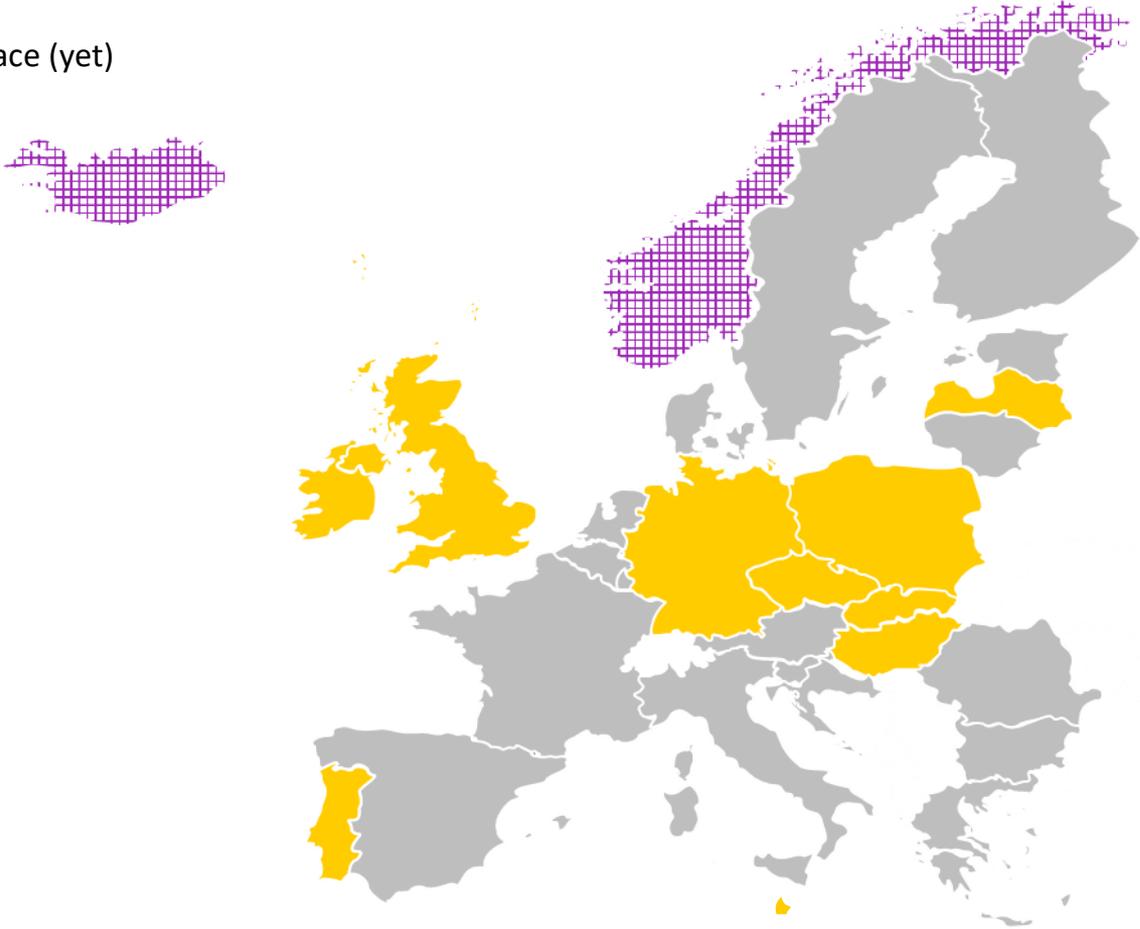
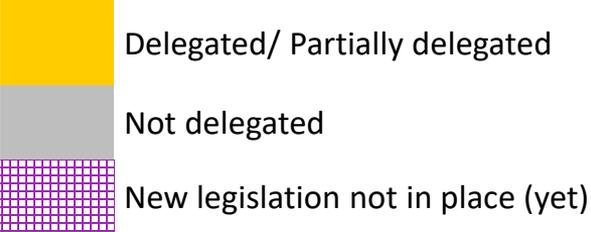
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Sanctions

Delegation of tasks for audits of non-PIEs

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Public oversight: our take

1. Many Member States rely on a certain degree of delegation to professional accountancy bodies
2. **Education**, related to PIEs and non-PIEs, has been delegated by the majority of Member States
3. **Approval/ registration of auditors** and **Quality assurance**, both related to non-PIEs, have 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