

IFIAR 2020 Member Profile –DBA

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Denmark
2. Member¹	2.1 Insert the name of the Member, both in the local language and in English: Erhvervsstyrelsen Danish Business Authority (DBA)
	2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: Dahlerups Pakhus Langelinie Allé 17 2100 Copenhagen Denmark <u>Tel.</u> : +45 3529 1000 <u>Fax</u> : +45 3546 6001 <u>E-mail</u> : erst@erst.dk <u>Website</u> : www.erst.dk

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:

Section 32 of the Danish Act on Approved Auditors and Audit Firms states that:

- (1) The Danish Business Authority shall be responsible for the supervision of auditors and audit firms.
- (2) The Danish Business Authority's supervisory duties shall include supervision of:
 1. Examination as well as continuing education, cf. Section 33 and Section 4.
 2. Quality assurance reviews, cf. Sections 34 – 35 b.
 3. Investigations, cf. Section 37 – 42.
 4. Disciplinary sanctions, cf. 43 – 47.
 5. Cooperation and exchange of information with the competent authorities in other countries, cf. Sections 48 and 49.
- (3) The Danish Business Authority is furthermore responsible for 1) supervision to ensure that members of the supreme management body, Executive Board or audit committee in a public-interest entity fulfil the duties applied by this Act, by 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, or provisions that implement Articles 37 and 38 in Directive 2006/43/EC of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, as amended by Directive 2014/56/EU, and 2) monitoring and appraisal of developments in the market for statutory audit services for public-interest entities.
- (4) In connection with the performance of the Danish Business Authority's supervisory duties in pursuance of (1)- (3), the Authority may obtain information from other Danish and foreign competent authorities and demand any necessary information from auditors and audit firms, including the surrender of working papers and other documents regarding engagements performed in pursuance of Section 1 (2), and from any other organisations, etc. performing engagements in pursuance of (2). In order to perform its supervisory duties in pursuance of (3), the Authority can also obtain necessary information from public-interest entities.

	<p>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The Danish Business Authority is an Agency under the Ministry of Business. The head of the Authority is a board of 1 Director General and 5 Deputy Director Generals.</p> <p>Director General – Katrine Winding</p> <p>Deputy Director General Henning Steensig (responsible for the audit legislation and the Public Oversight)</p>
	<p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>All board Members have a fulltime appointment at the Danish Business Authority and as such have not been employed by or affiliated to an audit firm at all.</p>
	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p style="text-align: center;">N/A</p>

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p style="text-align: right;">N/A</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p style="text-align: right;">N/A</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p> <p>The Danish Business Authority has set up an Audit Advisory Panel to advise the Authority on general issues in audit legislation and in connection with the supervision of audit firms in pursuance of Section 32 (2) and (3). The Audit Advisory Panel shall furthermore assist the Authority in relation to the rules on examination for State Authorised Public Accountants etc. A majority of the members, including the chairman, must be non-practitioners</p> <p>The Danish Business Authority has appointed a disciplinary board. The Disciplinary Board on Auditors consists of a Chairman (who shall be a judge) and at least 16 other members, eight of whom shall be approved auditors and a further eight of whom shall be representatives of financial statement users. At least two of the members representing the financial statement users shall have management experience from public-interest entities. The representatives of the financial statement users cannot be approved auditors or be employees of or run an audit firm along with approved auditors.</p> <p>The Disciplinary Board on Auditors is responsible for disciplinary sanctions on auditors and audit firms.</p>

4. Funding Arrangements	4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any: Danish Business Authority is funded by the national budget (Finansloven) and by fees imposed on all approved auditors.
	4.2 Is the funding free from undue influence by the profession? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession: The fees are once a year determined in an Executive Order issued by the Danish Business Authority
5. Inspection System	5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization? <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight DBA is responsible for selection of audit firms to be inspected, planning and performing the inspections and reporting and following up on the results of the inspections. The inspections are performed by full time employed inspectors of DBA. If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:
	5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections: Audit firms auditing large public interest entities must be inspected at least every 3 years. Audit Firms auditing Large Cap and Mid Cap listed companies are inspected on a yearly basis, though. Audit firms auditing small and medium-sized public interest entities must be inspected at least every 6 years.

6. Audit and Financial Market	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <p>Approx. 780 audit firms and 2740 auditors are subject to inspections. 8 audit firms audit PIE clients.</p> <p>Listed PIE’s (without listed credit institutions and listed insurance companies) numbers to approx. 175. Listed and non-listed credit institutions and listed insurance companies (PIEs) numbers to approx. 165. Number of Large CAP PIE’s approx. 40. Large Cap covers the main part of the capitalized market value.</p> <p>Approx. 128.000 audits fall under oversight bearing in mind that even small companies still are to be audited or reviewed. Approx. 132.000 very small companies are not audited. (2017 figures)</p> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</p> <p>Detailed market information is not available. The following list shows the turnover of the 6 biggest audit firms in 2019.</p> <table border="1" data-bbox="544 1144 1386 1411"> <thead> <tr> <th>No.</th> <th>Audit firm</th> <th>Turnover in mio. Euro</th> <th>PIE Market share (engagements)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Deloitte</td> <td>488</td> <td>38,0 %</td> </tr> <tr> <td>2</td> <td>PWC</td> <td>385</td> <td>31,1 %</td> </tr> <tr> <td>3</td> <td>EY</td> <td>260</td> <td>22,3 %</td> </tr> <tr> <td>4</td> <td>BDO</td> <td>136</td> <td>1,2 %</td> </tr> <tr> <td>5</td> <td>Beierholm</td> <td>129</td> <td>2,1 %</td> </tr> <tr> <td>6</td> <td>KPMG</td> <td>77</td> <td>3,4 %</td> </tr> </tbody> </table>	No.	Audit firm	Turnover in mio. Euro	PIE Market share (engagements)	1	Deloitte	488	38,0 %	2	PWC	385	31,1 %	3	EY	260	22,3 %	4	BDO	136	1,2 %	5	Beierholm	129	2,1 %	6	KPMG	77	3,4 %
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7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p><input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input checked="" type="checkbox"/> <u>Other: Adoption of standards and regulations (education and continuing education, ethics and auditing and reporting. Responsible for international cooperation.</u></p> <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p>																												

If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.

(1) The Danish Business Authority may approve a person as a state-authorized public accountant if the person in question:

- 1) resides in Denmark, in another EU country, in an EEA country or in another country with which the EU has entered into an agreement,
- 2) has full legal capacity and is not under guardianship,
- 3) is not subject to economic reconstruction; nor may bankruptcy proceedings have been commenced against him or her,
- 4) has passed a special examination, cf. the rules issued in pursuance of Section 33 (7),
- 5) has primarily participated, for a minimum period of three years after having attained 18 years of age, in the performance of assignments that concern audits of financial statements, consolidated financial statements or similar financial reporting, and
- 6) is insured against claims for damages that may be made in connection with the performance of assurance and non-assurance assignments.

(2) Assignments in pursuance of (1) 5 shall be performed in an audit firm. Approval as a state-authorized public accountant may only be obtained if the assignments have been performed under the supervision of an approved accountant.

(3) The Danish Business Authority may grant exemptions from the requirement in (1) 5.

(4) The Danish Business Authority shall lay down rules on insurance in pursuance of (1) 6, including on the scope and nature of the insurance and on the period of insurance.

(5) Approval may be denied:

- 1) in the circumstances mentioned in Section 78 (2) of the Danish Penal Code,
- 2) if the person in question has shown such conduct that there is reason to assume that he or she will not be able to conduct the office as a representative of the public in a sound and responsible manner or
- 3) if the person in question has payables to the public authorities of DKK 50,000 or more.

7.3 If the Member has the responsibility for Audit and/or Ethics Standard Setting, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?

Directly

Through Oversight

If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

The Danish Business Authority may lay down further rules and standards on ethics, the organization and performance of audit assignments and the auditor's provision of auditors' reports, including the auditor's statements on management's reviews in pursuance of the Danish Financial Statements Act, and on the auditor's provision of other assurance reports. The Agency may decide that auditors and audit firms shall use a digital signature or a corresponding electronic signature in connection with the performance of assurance assignments.

ISAs have not been implemented in Danish audit legislation. However, the audit legislation requires that an auditor shall perform the audit in accordance with generally accepted auditing practices and the ISA are considered to be generally accepted auditing practices. The Danish Business Authority is empowered to implement the ISAs into Danish legislation, when adopted by the European Commission in accordance with the EU audit directive.

7.4 If the Member has the responsibility for Permanent Education of Auditors, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?

Directly

Through Oversight

If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

The Danish Business Authority lay down the particular rules on continuing education and on the oversight hereof.

The auditor shall be able to document at any given time that the requirements for continuing education have been met.

Documentation for continuing education of auditors attached to or otherwise associated to an audit firm is reviewed as part of a quality assurance review. Other auditors must provide documentation on request.

7.5 If the Member has the responsibility for Enforcement, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?

Directly

Through Referral

If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

The Danish Business Authority is empowered to initiate investigations on the compliance of duties of auditors, audit firms, members of the supreme governing body or audit committee of a PIE or a PIE.

Following the conclusion of an investigation, the Danish Business Authority decides whether the findings of the investigations give rise:

- 1) to close the investigation without further comments
- 2) to issue a reprimand,
- 3) to order that any violations shall be brought to an end, or
- 4) to bring the auditor, audit firm or both before the Disciplinary Board on Auditors,
- 5) to bring a member of the supreme governing body or audit committee of a PIE or a PIE or both before the Disciplinary Board on Auditors.

The Danish Business Authority has established the Disciplinary Board on Auditors and appoints the members of the board including the chairman. The chairmanship must be judges. The majority of the board must be non-practitioners.

The Board have amongst others the following sanctioning powers:

- give a warning
- impose fines
- withdrawal of approval with suspended execution
- prohibitions from performing audit or certain other activities
- withdrawal of approval

	<p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>The Danish Business Authority lay down the particular rules on the professional examination.</p> <p>The Danish Business Authority is responsible for international cooperation and is empowered to obtain information from auditors and audit firms to fulfill the task.</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>Reference is made to www.erhvervsstyrelsen.dk. The chart of the organization shows the different areas of which Erhvervsstyrelsen (Danish Business Authority) is responsible of. Among the tasks is Supervision of Financial Reporting.</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>The Danish Business Authority published in May 2019 individual inspection reports for:</p> <ol style="list-style-type: none"> 1. Deloitte 2. Kpmg 3. Ernst & Young 4. Beierholm