

IFIAR 2020 Member Profile – CyPAOB

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| 1. Jurisdiction | 1.1 Insert the name of the jurisdiction in English: Cyprus |
| 2. Member¹ | 2.1 Insert the name of the Member, both in the local language and in English: Αρχή Δημόσιας Εποπτείας Ελεγκτικού Επαγγέλματος Cyprus Public Audit Oversight Board |
| | 2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: Michael Karaoli & Grigori Afxentiou, 1441 Nicosia, Cyprus Tel.: +357 22602385 +357 22602279, +357 22602402 Fax: +35722605047 Email: info@cypaob.gov.cy Website: www.cypaob.gov.cy |
| | 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: The Cyprus Public Audit Oversight Board (the “CyPAOB”) has been established under the provisions of the new Auditor Law of 2017 (L. 53 (I)/2017)” which was voted on 06 June 2017. The CyPAOB is directly responsible for the public oversight of audit firms and the audit profession in Cyprus. Specifically, it has the ultimate responsibility for the oversight of: (a) the approval and registration in the Register of the statutory auditors and of the statutory audit firms; (b) the adoption of standards on professional ethics, internal quality control of statutory audit firms as well as auditing; and |

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.

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| | <p>(c) continuing education, quality assurance and investigative and disciplinary systems.</p> <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 style="text-align: center;">N/A</p> |
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| <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>Board of the CyPAOB:</p> <ul style="list-style-type: none"> • President: Mrs Rea Georgiou - Accountant General • Vice President: Mr Andreas Zachariades- Deputy Accountant General • Member of the Board: Ms Demetra Kalogerou- Chairwoman of the Cyprus Securities and Exchange Commission • Member of the Board: Mr Phidias Pilides • Member of the Board: Mr Christos Karoulas- Senior Internal Audit Officer • Member of the Board: Mr Constantinos Messios-Lawyer • Member of the Board: Mrs Viki Aristidou- Internal Audit Officer <p>All Board members are appointed from the Council of Ministers and are independent from the audit profession.</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>As described in article 6 of the National Auditor’s Law L.53(I)/2017, the CYPAOB shall be independent from statutory auditors and audit firms and the President and the members of the CyPAOB Board, shall comprise of persons of highest moral standards, of recognised standing and honesty, each of which is a non-practitioner with knowledge of issues related to</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.

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| | <p>statutory audit. So, it is evident from the above that our Auditors Law does not permit the appointment of audit practitioners on its Board.</p> <p>The term “non-practitioner” means a natural person who, for at least three years before his/her appointment as President or member of the Public Audit Oversight Board, has not carried out statutory audits, has not held voting rights in an audit firm, has not been a member of the board of directors or of the management body of an audit firm and has not been employed by or otherwise associated with an audit firm.</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> <hr/> <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 style="text-align: right;">N/A</p> <hr/> <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: right;">N/A</p> <hr/> <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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>A person has to have at least three years cooling off period before his/her appointment as a member of the Board. Specifically, he/she must not carried out statutory audits, must not held voting rights in an audit firm, must not been a member of the board of directors or of the management body of an audit firm and must not been employed by or otherwise associated with an audit firm.</p> |
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| | <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 type="checkbox"/> Yes <input checked="" 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> |
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| <p>4. Funding Arrangements</p> | <p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The Auditor Law of 2017 provides that the CyPAOB is adequately funded by a government grant equal to 20% of the total budget of the year and the rest 80% will be funded by the professional bodies, audit firms and PIE auditor.</p> <p>CyPAOB's budget is approved by the Council of Ministers and the Parliament of Cyprus.</p> <hr/> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>The funding fee as well as the pricing policy is provided in the law and can only be amended by a change in the legislation.</p> |
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| <p>5. Inspection System</p> | <p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>The CyPAOB is responsible, through its Audit Quality Review Team for inspecting auditors of public interest entities. A report on each firm is issued at the completion of the inspection. Letter reports on all audits reviewed are issued to the audit firm.</p> |

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| | <p>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:</p> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>Up to and including its 2016-2018 inspection cycle, Audit Quality Review has carried out full scope inspections of fourteen firms (Big Four Firms plus ten other PIE auditors). Full scope inspections comprise a review of a sample of audits and firm-wide procedures are undertaken annually for the Big Four Firms. Ten more PIE audit firms will be inspected once every three years.</p> <p>There are approximately 676 non-PIE audit firms where CyPAOB has to date delegated the independent inspection of the firm to the Recognized Professional Body, the Institute of Certified Public Accountants of Cyprus, to undertake the primary review of the firm. This has been undertaken at least once every three years.</p> |
| 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>There are 15 PIE audit firms that are directly inspected by the CyPAOB. The professional body is responsible for inspections of approximately 500 auditors of non-public interest entities, subject to CyPAOB oversight.</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>KPMG 34%, PWC 23%, Deloitte 15%, EY 14%, G. Kalopetrides 3% and 11% Others.</p> |
| 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 type="checkbox"/> Other: _____ </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 type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight </p> |

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| | <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.</p> <p>CyPAOB delegated via a delegation agreement the registration and licensing procedure of statutory auditors and statutory audit firms to the Recognized Professional Body, the Institute of Certified Public Accountants of Cyprus.</p> <p>The Auditor Law of 2017 provides the eligibility criteria for registration and licensing of statutory auditors/statutory audit firms and the CyPAOB through its monitoring visits ensures the application/compliance of the legislation provisions by the professional body. CyPAOB has the power to reclaim the delegated competences on a case by case basis.</p> |
| | <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <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 procedures applied, as well as the role of the Member in these procedures.</p> <p>CyPAOB delegated via a delegation agreement the Audit and Ethics standard setting to the Recognized Professional Body, the Institute of Certified Public Accountants of Cyprus.</p> <p>The National Auditor’s law provides the criteria and the CyPAOB through its monitoring visits ensures the application of those provisions by the professional body. CyPAOB has the power to reclaim the delegated competences on a case by case basis.</p> |
| | <p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <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</p> |

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| | <p>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.</p> <p>CyPAOB delegated via a delegation agreement the Permanent Education of Auditors to the Recognized Professional Body the Institute of Certified Public Accountants of Cyprus.</p> <p>The National Auditors law provides the criteria and the CyPAOB through its monitoring visits ensures the application of those provisions by the professional body. CyPAOB has the power to reclaim the delegated competences on a case by case basis.</p> <hr/> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Referral</p> <p>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.</p> <p>CyPAOB through its Independent Disciplinary Committee has the responsibility for the enforcement regarding PIE and non-PIE auditors. Please note that, the CyPAOB has recently reclaimed from the Recognised Professional Body, the Institute of Certified Public Accountants, the delegated task concerning the enforcement for Non-Pies auditors.</p> <p>The enforcement procedure and the sanctions are provided by the National Auditors law.</p> <hr/> <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 style="text-align: center;">N/A</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 style="text-align: center;">N/A</p> |
| <p>9. Major Events and Activities</p> | <p>9.1 Describe any recent major events and activities:</p> <p style="text-align: center;">-</p> |