

IFIAR 2022 Member Profile – UDVA

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| 1. Jurisdiction | <p>1.1 Insert the name of the jurisdiction in English:</p> <p>Slovak Republic</p> |
| 2. Member ¹ | <p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>“Úrad pre dohľad nad výkonom auditu” “Auditing Oversight Authority”</p> |
| | <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>Úrad pre dohľad nad výkonom auditu Slovanská 1, P.O. BOX 63 810 05 Bratislava 15</p> <p>Tel.: + 421 2 57 26 75 25 Fax: + 421 2 57 26 75 00 E-mail: udva@udva.sk Website: www.udva.sk</p> |
| | <p>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:</p> <p>Established on January 1st, 2008 based on the Act No. 540/2007 Coll. on Auditors, Audit and Oversight of Audit and on Amendments and Supplements to Act No. 431/2002 Coll. on Accounting, as amended (“Act 540/2007 Coll.”).</p> <p>Effective from June 17th, 2016 there is a new Act No. 423/2015 Coll. on Statutory Audit and on Amendments and Supplements to Act No. 431/2002 Coll. on Accounting, as amended (“Act 423/2015 Coll.”) in the Slovak Republic.</p> <p>Based on the new Act 423/2015 Coll. UDVA has mandate/authority to perform oversight over statutory auditors, audit firms, the Slovak Chamber of Auditors and public interest entities (PIEs) and over big companies (not defined as PIEs but obliged to fulfil part of PIE requirements).</p> |

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>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 Board consists of the following five members: Tatiana Dubinova – Chairman of the Board Katarina Kaszasova – General Director and Board Member Aurel Dibak – Board Member Daniela Kluckova – Vice-Chairman of the Board</p> <p>All 4 members of the Board are non-practitioners; one seat is currently vacant.</p> <hr/> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>All governing body members (i.e. all Board members, Supervisory Committee members, members of the Committee for Audit Quality Assurance and the Committee for Investigation and Sanctions) should be non-practitioners.</p> <p>Only a natural person with a second-level university degree and at least five years of practical experience in the field of accounting or statutory audit, of that at least two years of practical experience at a management, scientific or pedagogical position and who has full legal capacity and meets the good reputation condition may be appointed in the position of a member of the Board, except for the General Director, and a member of committees of the UDVA.</p> <p>The office of General Director requires a second-level university degree and five years of practical experience in a managerial position. A natural person that meets the good reputation condition may be appointed in the General Director office.</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>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> <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> <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>According to the Article 55 par. 6 of the Act 423/2015 Coll.: <i>“Members of the Authority’s management bodies shall be non-practitioners.”</i></p> <p>According to the Article 36 par. 4 of the Act 423/2015 Coll.: <i>“For the purposes of this Act, a non-practitioner means any natural person who, during the period of at least three years before his or her appointment in the bodies of the Authority and during his or her involvement in the bodies of the Authority, has not carried out statutory audits, has not held voting rights in an audit firm, has not been a member of the statutory, management or supervisory body of an audit firm and has not been employed by, or otherwise closely associated with, an audit firm. A non-practitioner may be an employee of the Authority, a member of the Authority’s body, or a person who performs oversight on the basis of a contract with the Authority, has been authorized to perform oversight, and acts on behalf of the Authority. A non-practitioner shall have a second-level university degree and practical experience in the area of statutory audit.”</i></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> |

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| | <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>Practitioner may be the member of:</p> <ul style="list-style-type: none"> • Advisory Panel of the UDVA without decision making powers dealing with: <ul style="list-style-type: none"> - the International standards on auditing and Ethics - the International accounting standards • Examination Committee • Inspection team – as an expert who has specific expertise in financial markets, financial reporting, auditing or other fields relevant for inspections. In case of inspections of PIE-statutory auditors or PIE-audit firms, a practitioner is available for the inspection team <u>only for the purpose of consultations</u> and not as a member of the team. In other cases (no PIEs), practitioner may be a member of an inspection team provided he/she is independent of the non-PIE auditor or audit firm. |
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| 4. Funding Arrangements | <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>UDVA financing is defined in the Act No. 423/2015 Coll.</p> <p>Incomes of the UDVA defined by the Act No. 423/2015 Coll. are:</p> <ul style="list-style-type: none"> • Contribution from the state budget according to the Act on State Budget for the given year; • Annual contributions from: <ul style="list-style-type: none"> - PIEs; - Big companies (not defined as PIEs but obliged to fulfil part of PIE requirements); - Audit firms; • Annual registration fee: <ul style="list-style-type: none"> - PIE-auditors and PIE-audit firms; • Penalties; • Compensations for costs of proceedings; • Interest due on late payments; • Fees for examinations and re-examination; • Fees for the actions made by the Authority. <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> |

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| | <p>Percentage structure of the sources:</p> <ul style="list-style-type: none"> - approx. 20% - State budget - approx. 57% - Annual contributions from PIEs and big companies (not defined as PIEs but obliged to fulfil part of PIE requirements) - approx. 23% - annual contributions from audit firms and annual registration fees from PIE-auditors and PIE-audit firms |
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| 5. Inspection System | <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> <ul style="list-style-type: none"> • If directly, kindly provide a brief description or summary of the responsibility, including the regulatory reporting process after inspections i.e. recommendations issued, follow-up, etc.). • 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>After the implementation of the new EU legislation (valid since June 17th, 2016) UDVA started to be directly responsible for performing audit quality assurance reviews (“AQA reviews”) of the PIE-auditors and PIE-audit firms, which were previously delegated to the Slovak Chamber of Auditors. Inspections are performed by the Inspection Department under supervision of the Committee for Audit Quality Assurance. The findings together with the recommendations for the remedy are documented in the Inspection Report. The remediation period shall not exceed 12 months from the completion of the inspection. When the Committee for Audit Quality Assurance decides so, the finding is submitted to the Committee for Investigation and Sanctions for further proceeding.</p> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>PIE auditors and PIE audit firms are subject of the <u>audit quality assurance reviews</u> (“AQA reviews”) carried out <u>by the UDVA</u> in a 3-year cycle.</p> <p>Non-PIE auditors and non-PIE audit firms are subject of the <u>audit quality assurance reviews</u> (“AQA reviews”) carried out <u>by the Chamber of Auditors</u> in 6-year cycle.</p> <p>UDVA is also responsible for performing other oversight activities over:</p> <ul style="list-style-type: none"> • all statutory auditors and all audit firms directly, |

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| | <ul style="list-style-type: none"> • Chamber of Auditors, • PIEs and big companies (oversight is limited to functioning of their Audit Committees). <p>There is no exact frequency defined for such other oversight activities over the statutory auditors and audit firms.</p> |
| <p>6. Audit and Financial Market</p> | <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>229 audit firms with active license in Slovakia (as of January 1, 2022):</p> <ul style="list-style-type: none"> - of which: 25 are registered as PIE-audit firms for the calendar year 2022 <p>709 statutory auditors with active license in Slovakia (as of January 1, 2022):</p> <ul style="list-style-type: none"> - of which: 5 are registered as the PIE-auditors for the calendar year 2022 <p>There are 181 public interest entities in Slovakia (as of December 31, 2021)</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>The market share of 4 largest audit firms as the percentage (%) of the total number of PIE-audits in 2020 (approximately 219 audits carried out in 2020, including audits of the consolidated financial statements): KPMG – 27 %; PwC – 16 %; Deloitte – 7 %; E&Y – 5 %</p> <p>We also have preliminary data for 2021 (based on registration of PIE audits) :</p> <p>KPMG – 27 %; PwC – 18 %; E&Y – 7 % ; Deloitte – 6 %</p> <p>The market share of 4 largest audit firms as the percentage (%) of the total revenues from statutory audit of PIEs in 2020:</p> <p>KPMG – 32 %; PwC – 27 %; E&Y – 17 %; Deloitte – 14 % Data of market share for the year 2021 are not available yet.</p> |
| <p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p> | <p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Registration/Licensing <input type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement |

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| | <p><input checked="" type="checkbox"/> Other: <u>Auditors' examination</u></p> <p>Note: see section 7.3.</p> <hr/> <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> <ul style="list-style-type: none"> • 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>The UDVA is directly responsible for:</p> <ul style="list-style-type: none"> - organizing the auditors' examinations; - issuing certificates; - issuing / suspending / withdrawing licenses; - registering statutory auditors and audit firms in the relevant list; - keeping the list of statutory auditors and the list of audit firms. <hr/> <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 type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • 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>According to the Act 423/2015 Coll. the UDVA participates in the creation, updating and adoption of international auditing standards and the Auditor's Code of Ethics through the competent authorities of the European Union.</p> <p>The UDVA has no special responsibility for Standard setting.</p> <p>International auditing standards issued by the IFAC (IAASB) are used/required in the Slovak Republic by law.</p> |
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| | <p>The Code of Ethics issued by the Slovak Chamber of Auditors which is in compliance with the Code of Ethics issued by the IFAC (IESBA) is used/required in the Slovak Republic by law.</p> <p>UDVA shall provide for Audit/Ethics standards accessibility by users in the Slovak Republic in the Slovak language. The translation into the Slovak language is provided by the Slovak Chamber of Auditors.</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> <ul style="list-style-type: none"> • 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>The Slovak Chamber of Auditors prepares the principles of permanent education of a statutory auditor, including the criteria and the method of assessment. The principles of permanent education of a statutory auditor are approved by the UDVA. Permanent education shall be provided for by the Slovak Chamber of Auditors or by statutory auditors, audit firms, European auditors, audit firms from other Member States, third-country auditors, or third-country audit firms.</p> <p>UDVA performs the oversight of permanent education as part of wider oversight over the Slovak Chamber of Auditors.</p> |
| | <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 type="checkbox"/> Through Referral</p> <ul style="list-style-type: none"> • If directly, kindly provide a brief description or summary of the enforcement responsibility, the procedure and process involved, including the regulatory reporting process that led to disciplinary action. • 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. |

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| | <p>Our Authority has a separate Enforcement Committee, members of which are appointed by the Board, based on proposal of the Ministry of Finance and the National Bank of Slovakia. The Enforcement Committee has 7 non-practicing members where the chairman has to be a lawyer and other members must have either accounting/audit or legal background. All members have at least 5 years of practical experience including at least 2 years in either managerial or academic position.</p> <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 UDVA’s Examination Committee prepares and organizes the process of examination of professional competence.</p> <p>The Chairman and other members of the UDVA’s Examination Committee are appointed and dismissed by the UDVA’s Board. The UDVA’s Examination Committee shall consist of statutory auditors and other experts in theory and practice nominated by the Slovak Chamber of Auditors, the UDVA, or the Ministry of Finance.</p> <p>The examination rules are laid down by the Ministry of Finance of the Slovak Republic by means of a Measure. The Ministry shall promulgate the Measure by announcing its publication in the Collection of Laws of the Slovak Republic.</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>The UDVA is a legal entity entrusted, in the area of public administration, with the performance of oversight and fulfilment of other tasks according to the Act 423/2015 Coll. on Statutory audit.</p> |
| <p>9. Major Events and Activities</p> | <p>9.1 Describe any recent major events and activities:</p> <p>In 2021 the UDVA organised two rounds of the audit examinations for new candidates because the examination in 2020 was cancelled and postponed to 2021 due to Covid-19 pandemic.</p> <p>The UDVA continued in organising of virtual round tables with large audit firms, the Slovak Chamber of Auditors and other stakeholders in order to stay in touch with the latest developments and challenges in audit profession.</p> <p>The UDVA more actively participated in CEAOB activities through its involvement in task force or working sub-groups, e.g. active role in Enforcement Sub-group Workshop.</p> |

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| | <p>During 2021, an accommodation and testing of the IT system (PENTANA) took place, to achieve consistent performance and documentation of the inspections. The actual use of the system will start in 2022.</p> <p>To increase the quality of our inspection team, the UDVA launched regular webinars focused on inspection methodology, auditing and accounting standards, European legislation, etc.</p> |
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