

IFIAR 2023 Member Profile – CPOSA

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Republic of Bulgaria
2. Member¹	2.1 Insert the name of the Member, both in the local language and in English: Commission for Public Oversight of Statutory Auditors (CPOSA) (Комисия за публичен надзор над регистрираните одитори)
	2.2 Include relevant contact information, including postal address, telephone number(s), a general email address (if any) and a link to the Member's website: Sofia 1000, Bulgaria, 22 Serdika Str., fl. 7 Tel.: 003592 983 55 39; 003592 489 72 60 E-mail: office@cposa.bg Website: http://www.cposa.bg/
	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 Commission for Public Oversight of Statutory Auditors (CPOSA) is established in 2008 following the amendments of the Independent Financial Audit Act, adopted by the National Assembly in June 2008 (repealed on 2nd December 2016). A new Independent Financial Audit Act was adopted - effective from 2nd December 2016. It regulates the establishment and functioning of a public oversight of statutory auditors' system in Bulgaria. The public oversight of statutory auditors is exercised by CPOSA: Public oversight of registered auditors – <i>extract from the Independent Financial Audit Act (IFAA)</i> Art. 12. (1) Public oversight of registered auditors shall be carried out by the Commission. (2) The oversight under paragraph 1 shall be carried out in accordance with the requirements of this Act and Regulation (EU) No 537/2014 of the

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.

	<p>European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ, L 158/77 of 27 May 2014), hereinafter referred to as “Regulation (EU) No 537/2014”, over:</p> <ol style="list-style-type: none"> 1. the professional activities of registered auditors; 2. the activities of ICPA in the cases referred to in this Act; 3. The Commission shall perform ongoing monitoring on the developments in the market for providing the services in accordance with the requirements of Art. 27 of Regulation (EU) No 537/2014.; 4. The Commission shall be the competent authority for the regulation and oversight of registered auditors in the Republic of Bulgaria. <p><u>Responsibilities and functions of the Commission</u></p> <p>Art. 71. (1) The Commission shall bear ultimate responsibility for the oversight of:</p> <ol style="list-style-type: none"> 1. acquiring the right to practice as a registered auditor, registering auditors, including other European Union Member State and third-country auditors and the temporary suspension of the right to pursue activities as a registered auditor; 2. adopting standards on professional ethics, internal quality control with regard to the activities of registered auditors and the performance of statutory financial audit and audit related services; 3. continuing professional development of registered auditors; 4. registered auditors’ professional activity quality assurance system; 5. applying coercive administrative measures and imposing administrative sanctions. <p>2.4 Please indicate whether the Member has responsibility for the following tasks within the area of Audit Oversight:</p> <p><input checked="" type="checkbox"/> Licensing</p> <p><input checked="" type="checkbox"/> Registration</p> <p><input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting</p> <p><input checked="" type="checkbox"/> Permanent Education / Continuous Training of Auditors</p> <p><input checked="" type="checkbox"/> Inspection</p> <p><input checked="" type="checkbox"/> Enforcement</p> <p><input type="checkbox"/> Other: _____</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, where possible, the names, the organization they represent (if any) and brief backgrounds of the governing body members, or provide a link to a page on your website where this information is provided.</p>

The Commission (the governing body of CPOSA) is a collective body and has the following composition: a Chairperson and 4 Members. In the absence of the Chairperson, his or her functions are performed by a Member of the Commission appointed by the Chairperson on a case-by-case basis.

The Chairman and the Members are elected by the National Assembly.

- One Member was nominated by the Minister of Finance;
- One Member was nominated by the Governor of Bulgarian National Bank;
- One Member was nominated by the Chairman of the Financial Supervision Commission;
- One Member was nominated by the Managing Board of the Institute of Certified Public Accountants (ICPA). This Member is also a member of ICPA, which is the national professional organization for all Certified Public Accountants in Bulgaria.

The Chairman and the Members (including the one who is a member of ICPA) comply with the independence requirements of Art. 21 of Regulation (EU) No 537/2014.

3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body? E.g. Does national legislation require representatives on the governing body from certain organizations, or with specific experience, etc.

According to Article 72 and 73 of IFAA, the election and composition requirements for the Chairperson and the Members of the Commission are as follows:

Art. 72 Only Bulgarian citizens meeting the requirements below may serve as a Chairperson and Members of the Commission:

1. they should have completed higher education in law or economics with a Master's degree;
2. they should have knowledge in the fields related to financial audit and shall have at least 5-year professional experience in those fields;
3. they should not have been convicted for intentionally committed offence;
4. they should comply with the independence requirements referred to in Art. 21 of Regulation (EU) No 537/2014.

Art. 73 The Chairperson of the Commission shall be elected by the National Assembly following a public procedure.

	<p>(2) Within a one-month period from the election of the Chairperson of the Commission, he or she shall hold consultations for nomination of Commission Member candidates complying with the following principle:</p> <ol style="list-style-type: none"> 1. one person shall be proposed by the Minister of Finance; 2. one person shall be proposed by the Governor of the Bulgarian National Bank; 3. one person shall be proposed by the Chairperson of the Financial Supervision Commission; 4. one person shall be proposed by the Management Board of ICPA following an election by its General Assembly. <p>(3) Members of the Commission shall be elected by the National Assembly on a proposal made by the Chairperson of the Commission.</p> <hr/> <p>3.3 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>The applicable cooling-off period is three years in accordance with Article 21 sub-paragraph 3 of the Regulation (EU) No. 537/2014.</p>
<p>4. Independence safeguards</p>	<p>4.1 Please describe the national independence requirements for the governing body and its members, and legal or regulatory requirements/provisions in place that safeguard their independence from the audit profession.</p> <p>The requirements of Art. 21 of Regulation (EU) № 537/2014 state the following:</p> <p>“The competent authorities shall be independent of statutory auditors and audit firms.... A person shall not be a member of the governing body, or responsible for the decision–making, of those authorities if during his or her involvement or in the course of the three previous years that person:</p> <ol style="list-style-type: none"> (a) has carried out statutory audits; (b) held voting rights in an audit firm;

	<p>(c) was member of the administrative, management or supervisory body of an audit firm;</p> <p>(d) was a partner, employee of, or otherwise contracted by, an audit firm. The funding of those authorities shall be secure and free from undue influence by statutory auditors and audit firms.”</p> <p>Are employees of the Member covered by the same or separate set of independence requirements?</p> <p><input checked="" type="checkbox"/> Same set of requirements <input type="checkbox"/> Different set of requirements</p> <p>If there are separate independence requirements for employees, please describe:</p> <hr/> <p>4.2 Are there any additional safeguards in place that provide for the Member’s overall independence from the audit profession? E.g. through the appointment process, specific Board actions, etc.</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe:</p>
<p>5. Funding Arrangements</p>	<p>5.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget:</p> <p>The Commission is an independent body, a legal entity which is supported by the state budget only. The annual budget is due to an approval by the National Assembly. No fees are collected.</p> <hr/> <p>5.2 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> <ul style="list-style-type: none"> - The annual budget is due to an approval by the National Assembly; - The Chairman and the Members of the Commission are elected by the National Assembly - Art. 70, paragraph 3 of the IFAA states that: “In conducting its activities under this Act and Regulation (EU) No 537/2014, the Commission shall be independent and shall not receive instructions from any other authorities, institutions or persons.”

6. Audit Market

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.

The total number of registered auditors (natural - 704 and legal persons - 85) is 789. This number includes: 106 auditors of PIEs for the period 01.01.2021-31.12.2021. For the same period a total of 13 351 audits have been performed, of which 713 audits of PIEs (608 audits if the joint audits are considered as one) consolidations included.

6.2 Please describe the sizes (in terms of revenue / number of listed entity clients / number of partners and audit staff / etc. – whichever measure is commonly used and available in your jurisdiction) and market shares of each of the largest audit firms in the Member's jurisdiction.

Market share of the largest audit firms based on the revenue from audit services:

PricewaterhouseCoopers Audit LTD	12,67%
Deloitte Audit LTD	8,86%
Ernst & Young Audit LTD	7,87%
Grant Thornton Bulgaria LTD	6,92%
KPMG Bulgaria LTD	6,90%
AFA LTD	3,06%
Baker Tilly Klitou & Partners Limited	1,66%
BDO Bulgaria LTD	1,61%
Ecovis Audit Bulgaria LTD	1.30%
HLB Bulgaria LTD	1,28%

Market share of the largest audit firms based on the number of audit engagement carried out:

Grant Thornton Bulgaria LTD	3,07%
PricewaterhouseCoopers Audit LTD	1,90%
Ernst & Young Audit LTD	1,88%
Primorska Audit Company LTD	1,74%
AFA LTD	1,71%
Deloitte Audit LTD Bulgaria LTD	1,62%
KPMG Bulgaria LTD	1,45%
Vasil Stoilov Todorov	1,13%
Deyan Venelinov Konstantinov	1.10%
Activ LTD, Stoyan Dimitrov Stoyanov	0,94%

7. Inspection System	<p>7.1 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>
	<p>7.2 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>If directly, please describe the responsibility, including the follow-up and reporting process, and the regulatory measures available to be taken as a result of inspections (if described in Question 11 Enforcement, please reference that section for details on such measures).</p> <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 by the Member:</p> <p>For conducting the inspections there is created a special unit: "Directorate Inspections and Investigations". Currently, there are 15 inspectors, including the head of the unit. It carries out the inspections, thematic reviews and the investigations in accordance with the decisions of the Commission (the governing body). The scope of the audit quality control inspections is in compliance with the requirements of Article 26(6) of the Audit Regulation.</p>
	<p>7.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>The frequency of inspections of PIE-s auditors is at least once in 3 years on the basis of risk assessment. Since 2021 the big four are inspected annually.</p>
	<p>7.4 Does the Member have its own inspection staff, use reviewers from the professional body or sub-contract to third parties, independent contractors, etc. for the conduct of inspections? Please tick the boxes that apply: (multiple responses allowed) Note that there is no need to tick a box if non-employee reviewers are used very occasionally and are not a core staffing approach.</p> <p><input checked="" type="checkbox"/> Employees of the Member <input type="checkbox"/> Professional body</p> <p><input type="checkbox"/> Third Parties <input type="checkbox"/> Other</p> <p>Please explain below:</p> <p>Cited from the Bulgarian IFAA:</p>

	<p>Art. 87. (1) states that “full-scope inspections shall be carried out at least every three years on the basis of risk assessment. Thematic inspections shall be carried out at the discretion of the Commission.</p> <p>Paragraph (2) stipulates that “Inspections and investigations shall be performed by teams with the participation of Commission’s inspectors.”</p> <p>In Article 88 (3) – (6) there is further description of the options which CPOSA may use during an inspection or investigation:</p> <p>(3) CPOSA shall have the right, where necessary for the purposes of an inspection or investigation, to engage external experts to perform specific tasks. In such cases, the experts shall not take part in making the decisions by the inspecting/investigating teams and the Commission.</p> <p>(4) The experts taking part in inspections should have appropriate professional education and relevant experience in the field of financial auditing and financial reporting, should have undergone quality assurance training and should have no conflict of interest with the registered auditors being inspected.</p> <p>(5) The experts taking part in investigations should have appropriate professional education and relevant experience in the field of financial auditing and financial reporting and should have no conflict of interest with the registered auditors being investigated.</p> <p>(6) The information which the experts create or obtain when, or in relation to, participating in inspections or investigations shall be covered by a professional secrecy. The experts shall be under the obligation of professional secrecy, including even after the completion of the relevant inspections or investigations for which they were engaged.</p>
8. Licensing	<p>8.1 If the Member has the responsibility for <u>Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>If through oversight, please indicate the name of the other organization and its composition. 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>The Rules and Procedures for examinations to become certified public accountants are approved by CPOSA (Art. 36, paragraph 1, point 6 of the IFAA), which are then organised and conducted by ICPA. Upon completion of all the exams and after 3 years of practical training, a request to be a registered auditor can be made with CPOSA.</p>

	<p>According to Article 91 of the IFAA: The Commission shall carry out reviews in respect of ICPA’s activities for the lawful and effective exercising of the functions referred to in Art. 36, paragraph 1(1)-1(2) concerning registration/licensing.</p>
<p>9. Registration</p>	<p>9.1 If the Member has the responsibility for <u>Registration</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>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>Since 28.02.2020, the CPOSA is responsible for the registration of certified auditors in accordance with the requirements under IFAA (Art. 20 - 28 of the IFAA);</p> <p>According to Article 91 of the IFAA: The Commission shall carry out reviews in respect of ICPA’s activities for the lawful and effective exercising of the functions referred to in Art. 36, paragraph 1(1)-1(2) concerning registration/licensing.</p>
<p>10. Audits and/or Ethics Standard Setting</p>	<p>10.1 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 checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>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>Under Art. 71, paragraph 1, point 2 of the IFAA, CPOSA has the ultimate responsibility for the oversight of adopting standards on professional ethics, internal quality control with regard to the activities of registered auditors and the performance of statutory financial audit and audit related services;</p>

	<p>In Art. 9, paragraph 2 of IFAA is stated that the applicable auditing standards shall be the International Standards on Auditing, the International Standard on Quality Control and the other international pronouncements issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board.</p> <p>Art. 10 of IFAA states that a registered auditor shall apply the principles and requirements of the Code of Ethics for Professional Accountants issued by the International Federation of Accountants through the International Ethics Standards Board for Accountants and adopted by ICPA.</p>
11. Permanent Education / Continuous Training of Auditors	<p>11.1 If the Member has the responsibility for <u>Permanent Education / Continuous Training of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education / Continuous Training 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, including any changes, with an appropriate level of detail.</p> <p>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>The Institute of Certified Public Accountants (ICPA) organizes and carries out trainings for certified public accountant candidates, for raising professional qualifications of its members, and for continuing professional development of registered auditors (Art. 36, paragraph 1, point 3 of the IFAA)</p> <p>According to Article 91 of IFAA: The Commission shall carry out reviews in respect of ICPA’s activities for the lawful and effective exercising of the functions referred to in Art. 36, paragraph 1(3) concerning permanent education.</p>
12. Enforcement	<p>12.1 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> <p>If directly, please describe the responsibility and procedures applied (including investigations, disciplinary actions or sanctions), as well as the reporting process for disciplinary action.</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.

According to Article 71, paragraph 1, point 5 of IFAA the Commission has the ultimate responsibility for the oversight of applying coercive administrative measures and imposing administrative sanctions. The Commission applies supervisory measures (Article 89 of IFAA) where there are deficiencies or infringements in the activities of a registered auditor in relation to the quality assurance system, or for a failure to comply with the legal obligations, as well as for a failure to cooperate or is impeding the Commission's supervision activities.

To address the above the Commission may issue mandatory guidelines to a registered auditor to discontinue or correct the infringements made. The Commission may also impose temporary prohibitions on a registered auditor's right to conduct a statutory financial audit to any entity or to public-interest entities. The Commission may propose to a competent authority supervising the activities of a public-interest entity to impose a temporary prohibition on a member of the management body of the entity to perform his or her functions. The relevant supervisory authority is required within a reasonable period to notify the Commission about the actions undertaken.

Additionally, the Commission may impose a financial or property sanction on a registered auditor in the cases described in Article 110 of IFAA.

The Commission publishes on its website all imposed administrative sanctions and supervisory measures which have entered into force, providing information about the type and nature of the infringement and the identity of the natural or legal person on whom those sanctions have been imposed. (extract from Article 111 of IFAA)

Since the amendment of the IFAA from 28.02.2020 CPOSA also has the possibility to sanction the Audit Committees if they do not inform CPOSA for approving an additional service by the auditor of the PIE, for a change that should be entered into the register, or if they have not submitted an annual report for their activities to CPOSA (amendment of Article 110 IFAA); An option for an agreement to terminate the administrative and penal proceedings except for in the cases of repeated violations or where the act constitutes a criminal offence (amendments of Articles 110A, 110bn 110c IFAA);

13. Other Responsibilities in Audit Oversight or Audit Regulation	<p>13.1 If the Member has the responsibility for <u>other tasks within the area of Audit Oversight or Audit Regulation</u>, please describe with an appropriate level of detail:</p> <p>CPOSA is also responsible for performing an ongoing monitoring on the developments in the market for providing the services in accordance with the requirements of Art. 27 of Regulation (EU) No 537/2014.</p>
14. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight or Audit Regulation	<p>14.1 Please describe with an appropriate level of detail, the responsibility of the Member for <u>tasks outside the area of audit oversight or audit regulation</u> such as supervision of financial reporting or securities regulation:</p> <p style="text-align: center;">N/A</p>
15. Member Update for public information (if any)	<p>15.1 Are there any major news, activities, events or updates (on audit matters, the Member's organization, the governing legislation or the authority/responsibilities) that you wish to keep the public informed of since completing last year's Member Profile?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <p>A conference on "Joint audit in Bulgaria" was held on 8 April 2022 with the kind cooperation of Mazars. Special guest speakers were such notable figures as the Chair and the Senior Advisor to the Chair of the French Regulatory body (H3C), as well as the Global Head of Financial Advisory Services and Capital Markets of the Mazars Group.</p>