

IFIAR 2023 Member Profile – APOA

<p>1. Jurisdiction</p>	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>Hungary</p>
<p>2. Member¹</p>	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>KÖNYVVIZSGÁLÓI KÖZFELÜGYELETI HATÓSÁG AUDITORS' PUBLIC OVERSIGHT AUTHORITY (APOA)</p> <hr/> <p>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:</p> <p>Ministry of Finance Accounting and Public Oversight Department Public Oversight Authority Unit</p> <p>Budapest, Jozsef nador square 2-4. H-1051 Hungary</p> <p>Tel.: +36 1 896-7860 Website: http://ngmszakmaiteruletek.kormany.hu/konyvvizsgaloi-kozfelugyeleti-hatosag</p> <hr/> <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>According to Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors (hereinafter: Act on Audit) a public oversight authority (hereinafter: Authority or Auditors' Public Oversight Authority) was set up on 1st July 2013 as the successor of the Auditors' Public Oversight Committee.</p> <p>The Authority has, among others, two main responsibilities: exercises legal control over the Chamber of Hungarian Auditors (hereinafter: The Chamber) and carries out quality control reviews of auditors of PIEs.</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.

	<p>The Authority is responsible for public oversight and thus monitors and evaluates the various components of the system of public oversight of statutory auditors and audit firms, such as:</p> <ul style="list-style-type: none"> a) the procedures for the granting of authorizations to carry out statutory audits, the records and registers of the Chamber; b) the drafting and approval of Hungarian national accounting standards, the Chamber's code of ethics, and the national standards relating to quality control; c) the functioning of the continuing professional training program and the quality assurance system; d) the disciplinary proceedings. <p>The Authority cooperates with the competent authorities of third countries.</p> <p>The Act on Audit designates the Authority as the competent authority of Directive 2006/43/EC and Regulation (EU) No 537/2014.</p>
	<p>2.4 Please indicate whether the Member has responsibility for the following tasks within the area of Audit Oversight:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Licensing <input checked="" type="checkbox"/> Registration <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education / Continuous Training of Auditors <input checked="" type="checkbox"/> Inspection <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____
3. Governing Body Composition and members	
<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> <p>Based on the Act on Audit, the Minister of Finance is designated as the Auditors' Public Oversight Authority that is responsible for the audit oversight system. The minister delegated his tasks to the Accounting and Public Oversight Department of the Ministry of Finance.</p> <p>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.</p> <p>The Minister of Finance is designated as Auditors' Public Oversight Authority. There is no specific governing body for the Authority.</p>

	<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 restrictions and the “cooling-off” period are applicable according to Regulation (EU) No 537/2014. At least three years.</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>Independence requirements are applicable according to Regulation (EU) No 537/2014.</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 activities of the Authority are funded from the following two resources:</p> <p>1. State budget: the annual fiscal budget appropriate funds to ensure the efficient functioning of the system of public oversight of statutory auditors.</p>

	<p>2. Public oversight fee: The Chamber pays public oversight fee to the Authority for carrying out the public oversight functions. (The public oversight fee shall be ten per cent of the Chambers' proceeds from membership fees and contribution payments received for the year.)</p> <p>The Authority decides on the use of the amount according to its working plan.</p> <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> <p>The public oversight fee falls under the scope of legislation related to the use of the state budget, therefore practitioners has no influence on that.</p>
<p>6. Audit 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>Number of PIE audit firms: 13 Number of PIE auditors: 38 Number of PIEs: 101</p> <p>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.</p> <p>PWC: total revenue: 12 787 million HUF number of PIE clients: 30</p> <p>KPMG: total revenue: 10 594 million HUF number of PIE clients: 12</p> <p>EY: total revenue: 7 943 million HUF number of PIE clients: 12</p> <p>Deloitte: total revenue: 6 505 million HUF number of PIE clients: 8</p>



	<p>The BIG 4 firms audit 62 of the 101 PIE firms, so 61% of the PIE firms are audited by the BIG 4 firms.</p>
<p>7. Inspection System</p>	<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> <hr/> <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>This responsibility is undertaken directly by the Authority. Inspections shall be appropriate and proportionate in view of the scale and complexity of the activity of the inspected registered statutory auditor or audit firm. Inspections shall cover the period for which the registered statutory auditor, audit firm was delegated under contract for carrying out the statutory audit of the public-interest entity's accounts. The Authority shall carry out the inspections under an annual action plan that shall be posted on the government portal at the latest by 31 March of that year.</p> <hr/> <p>7.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>Quality control shall be conducted at least every 3 years for PIE auditors, firms, and every 6 years for non-PIE auditors, firms.</p> <hr/> <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 checked="" type="checkbox"/> Professional body</p> <p><input type="checkbox"/> Third Parties <input checked="" type="checkbox"/> Other</p> <p>Please explain below:</p>

	<p>Under Article 21 of Regulation (EU) No 537/2014, if the Authority considers it necessary for the conduct of an inspection, internal reviewers (reviewers of the Chamber) and persons with special expertise for quality assurance may also be assigned to participate in inspections. Internal reviewers and other persons participating in inspections shall not independently express in the inspection their opinion in writing, and shall not participate in the decision-making process. Before the commencement of the on-site audit, participants shall provide a declaration of confidentiality to the person audited.</p> <p>The person appointed to conduct inspections in the name and on behalf of Authority shall meet – among others – the following condition: At least three years have elapsed since the reviewer had been last associated with, or had been employed under an employment or a similar relationship by, the inspected registered statutory auditor or audit firm engaged in carrying out statutory audits.</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 Registration and Licensing is a mixed procedure, both Authority and the Chamber have competence and power to the procedure. To be licensed as a statutory auditor or audit firm a license has to be issued by the Authority stating that the auditor or audit firm comply with requirements. With the license, the auditor or audit firm can apply to be registered at the registry of the Chamber. To carry out statutory audit both license and registry are needed.</p> <p>The Authority bears ultimate responsibility to the licensing and registration of auditors and audit firms.</p>
9. Registration	<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 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 procedure applied, as well as the role of the Member in these procedures.</p> <p>The Registration and Licensing is a mixed procedure, both Authority and the Chamber have competence and power to the procedure. To be licensed as a statutory auditor or audit firm a license has to be issued by the Authority stating that the auditor or audit firm comply with requirements. With the license, the auditor or audit firm can apply to be registered at the registry of the Chamber. To carry out statutory audit both license and registry are needed.</p> <p>The Authority bears ultimate responsibility to the licensing and registration of auditors and audit firms.</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 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 Chamber is responsible for the preparation of the national standards. The national standards are approved by the Authority. The adopted and approved standards are issued by the Chamber.</p> <p>The Authority has ultimate responsibility in the standard setting procedure.</p>
<p>11. Permanent Education / Continuous Training of Auditors</p>	<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>Permanent Education of Auditors is organized by the Chamber. The Permanent Education is based on an annual program approved by the Authority.</p> <p>The Authority has ultimate responsibility to Permanent Education of Auditors.</p>
<p>12. Enforcement</p>	<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 checked="" 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> <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>The Authority, if noticing any situation where the interests of entities audited by statutory auditors are jeopardized can conduct an investigation and impose sanctions.</p> <p>The Authority has its own enforcement power. In the procedure of inspections and investigations the Authority can impose the following sanctions:</p> <ul style="list-style-type: none"> • mandatory participation in advanced training; • a warning to terminate an existing infringement; • mandatory re-audit, or ordering to have the audit report withdrawn; • financial penalty; • withdrawal of special qualification; • restraint order from exercising the profession of carrying out statutory audits (up to three years); • public disclosure of the person responsible and the infringement (content, gravity and duration) on the Single Government Portal.



	<p>In case of inspections of non-PIE auditors, the Authority delegates its sanctioning power to the Chamber and acts as second instance in these cases. The Authority has ultimate responsibility to quality assurance system.</p> <p>In case of disciplinary proceedings the Chamber acts. In disciplinary proceedings the following sanctions may be imposed:</p> <ul style="list-style-type: none"> a) a written reprimand; b) a fine; c) initiating the withdrawal of the special qualification; d) suspension of the license for carrying out statutory audits required by law for a specific period of time; e) expulsion from the Chamber, removal of the audit firm from the register (removal from the register of third-country auditors and third-country audit entities). <p>The Authority has ultimate responsibility to disciplinary proceedings.</p>
<p>13. Other Responsibilities in Audit Oversight or Audit Regulation</p>	<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 style="text-align: center;">N/A</p>
<p>14. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight or Audit Regulation</p>	<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>The Authority has no responsibility for tasks outside the area of audit oversight.</p>
<p>15. Member Update for public information (if any)</p>	<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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>