



IFIAR 2017 Member Profile – APOC

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| 1. Jurisdiction | 1.1 Insert the name of the jurisdiction in English: Croatia |
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| 2. Member¹ | 2.1 Insert the name of the Member, both in the local language and in English: Odbor za javni nadzor revizije (OJNR) Audit Public Oversight Committee (APOC) |
| | 2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: Contact: Croatian Audit Public Oversight Committee 5 Katanciceva 10 000 Zagreb Croatia tel: +385 1 45 91 171 fax: +385 1 45 91 101 e-mail: info@javni-nadzor-revizije.hr Website: www.javni-nadzor-revizije.hr |
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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>2.3 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>The Audit Act Amendments were enacted by the Croatian Parliament and published in the Official Gazette 139/2008 and entered into force on 11 December 2008.</p> <p>The Enacted Audit Act Amendments, inter alia, include the establishment of an efficient quality assurance system and public oversight processes over the audit profession in Croatia.</p> <p>According to the requirements of the Audit Act Amendments public oversight has been entrusted to the Audit Public Oversight Committee which is an individual and independent body conducting oversight of the Croatian Audit Chamber activity, of the activity of auditing firms, of independent auditors and certified auditors. The Audit Public Oversight Committee is authorized to cooperate with oversight bodies of other Member States and oversight bodies of the third countries.</p> <p>Quality assurance of the carry out statutory audits and other activities of auditing firms, independent auditors and certified auditors are performed by the Croatian Audit Chamber (hereinafter: the Chamber).</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>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 not. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.²</p> |

² For the purpose of this Member Profile, the audit profession does not include an individual who is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to



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| | <p>Current composition of the Audit Public Oversight Committee:</p> <ul style="list-style-type: none">- Željko Faber, certified auditor,- Anka Gospodinović, certified auditor,- Andreja Hašček, Croatian Financial Services Supervisory Agency,- Tomislav Jelinić, Croatian National Bank,- Hrvoje Markovinović, Professor at the Faculty of Law,- Danijela Stepić, Ministry of Finance,- Lajoš Žager, Dean of the Faculty of Economics and Business. <p>At the moment only one member of the Audit Public Oversight Committee is in the cooling off period according to the Audit Act.</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The Audit Public Oversight Committee has seven members which are appointed and removed from office by the Government of the Republic of Croatia upon the proposal of the Minister of Finance.</p> <p>A person may be appointed member of the Audit Public Oversight Committee if he/she:</p> <ul style="list-style-type: none">- has completed at least a second-level study programme according to the Act on Scientific Activity and Higher Education in the field of law or economics,- is not employed by the Chamber and is not a member of any executive body of the Chamber,- has at least five years' experience in the field of accounting, auditing, finance or the judiciary,- has not been convicted of a criminal offence against the safety of payment transactions and operations by a final judgment. <p>The majority of the members of the Audit Public Oversight Committee are persons:</p> <ul style="list-style-type: none">- who are not actively involved in the carrying out of audits according to the provisions of Act Amending Audit Act or who had not been actively involved in the carrying out of audits for three years prior to their appointment to the Audit Public Oversight Committee,- who as audit firm members had held no voting rights three years prior to their appointment to the Audit Public Oversight Committee, |
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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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| | <ul style="list-style-type: none">- who had not been members of the administrative or management body of an audit firm three years prior to their appointment to the Audit Public Oversight Committee,- who had not been employed by, or otherwise associated with, an audit firm or an independent auditor three years prior to their appointment to the Audit Public Oversight Committee <p>The members of the Audit Public Oversight Committee are appointed for a four-year term of office with the possibility of reappointment not more than two times.</p> <p>The members of the Audit Public Oversight Committee are independent and autonomous when making decision.</p> <hr/> <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.³</p> <p><input type="checkbox"/> Yes <input checked="" 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 checked="" 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> <p>Majority of members of the Audit Public Oversight Committee should be independent from the audit profession. Members who are not independent are required to abstain from voting when they have a conflict of interest.</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> |
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³Ibid.



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| | <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe</p> <p>Members who have conflicts of interest must abstain from participating in decision making process.</p> <p>Cooling-off period is three years.</p> |
| | <p>3.7 Other than the governing body, are members of the profession involved in the Member's organization (e.g., in a management or inspection function)?</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:</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 activities of the Audit Public Oversight Committee for the work carried out by the members of the Audit Public Oversight Committee are funded from the state budget.</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>There is no influence by the profession because the activities of the Audit Public Oversight Committee are funded from the state budget.</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 type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</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>The Audit Public Oversight Committee performs inspection of audit firms, independent auditors and certified auditors via the Chamber, certified experts or the competent state authorities.</p> <p>The Audit Public Oversight Committee is authorized to perform inspections of audit firms, independent auditors and certified auditors directly, as well.</p> <p>The Chamber carries out the inspection and review of quality assurance (hereinafter: quality assurance review) of audit firms, independent auditors and certified auditors for the purpose of inspection:</p> <ul style="list-style-type: none">- whether audits are being carried out in accordance with the Audit Act, the International Standards on Auditing, International Standards on Quality Control (ISQC 1) and other related Standards issues by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB) and other rules of the auditing profession,- whether independence requirements are being complied with the quantity and quality of human and other resources they engage,- charged audit fees,- the internal quality assurance system,- whether the conditions for the issuance of license for the provision of audit services, i.e. for obtaining the certificate, are fulfilled,- whether the conditions for entry into the relevant registers are fulfilled,- whether the transparency report is drafted and published in line with Audit Act,- reports and other information which, according to the provisions of Audit Act and other regulations, they are required to submit to the Chamber, i.e. particular data and circumstances which they are required to report to the Chamber. <p>Quality assurance reviews are performed by the employees of the Chamber, certified auditors with a minimum of five years' audit experience, who are appointed by the Chamber's Governing Board with the prior consent from the Audit Public Oversight Committee. The</p> |
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| | <p>appointment of certified auditors is carried out in accordance with procedure designed to ensure there are no conflicts of interest between the reviewer and audit firms, independent auditors and certified auditors under review.</p> <p>Quality assurance review is financed from Chamber funds earmarked especially for this purpose, subject to ex-ante approval and ex-post oversight of the Audit Public Oversight Committee.</p> <p>The Audit Public Oversight Committee reviews the annual activity report of the Chamber (it has to be submitted to Audit Public Oversight Committee 30 days upon adoption by the Chamber’s Assembly)</p> <p>The Audit Public Oversight Committee may request relevant reports and information on the activities and tasks performed by the Chamber.</p> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>The Chamber performs the audit quality control at least once in six years, or at least once in three years in the case of independent auditor or audit firm carrying out audit of public interest entities.</p> <p>The inspections are done through off-site visits and on-site visits. Both visits are based on the methodology and training developed by the Institute of Chartered Accountants of England and Wales.</p> <p>The frequency/intensity of the quality assurance control is determent based on risk assessment of entities subject to the audit. The risk assessment is done based on data provided through the Questionnaire and other relevant data submitted to the Chamber as well as upon request of the Audit Public Oversight Committee.</p> <p>Inspection activities of the Chamber in 2016 are done according to the Plan for Quality Assurance Reviews 2015/2016 and the Plan Quality Assurance Reviews 2016/2017, approved by the Audit Public Oversight Committee.</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> |



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| | <p>In 2016 70 audit firms were inspected, thereof 34 audit firms that carried out audits of public interest entities and 36 audit firms that did not carry audits of public interest entities. Among 70 inspections, 7 inspections were initiated by the Audit Public Oversight Committee.</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>According to data from the Questionnaire for the year 2015 requested by the Chamber, four largest audit firms make 49,58% of total audit revenues of all audit firms in Croatia and they carried out 56,29% of total audits of the public interest entities.</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 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>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> <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 profession⁴ 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 Chamber has the responsibility for auditor certification.</p> <p>The examination for auditor certification is taken in accordance with the programme drawn up by the Chamber and approved by the Audit Public Oversight Committee.</p> |

⁴ For the purpose of this Member Profile, the audit profession does not include an individual who 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>In the Chamber the Examination Committee for auditor certification is established on yearly basis. The Examination Committee is composed of members of the academic community and statutory auditors who are not in the conflict of interest. The Examination Committee’s main tasks are: exam preparation, monitoring of the examination process and evaluation of exams.</p> <p>The certified auditor certificate is a written document issued to the certified auditor by the Chamber, after he/she has passed the examination and fulfilled the conditions from the Audit Act. The certificate is signed by the President of the Chamber.</p> <p>The Audit Public Oversight Committee monitors the activities and tasks performed by the Chamber in the field of organization of examinations and certification according to the Audit Act.</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 profession⁵ 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>Neither the Audit Public Oversight Committee nor the Chamber are responsible for Audit and/or Ethics Standard Setting.</p> <p>The Chamber translates and publishes International Standards on Auditing and other rules of the auditing profession. International Standards on Auditing are published in the Official Gazette.</p> <p>The Audit Public Oversight Committee monitors the activities and tasks performed by the Chamber in the field of translation and publication of International Standards on Auditing according to the Audit Act.</p> |
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⁵Ibid.



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| | <p>If the Chamber, in performing the audit quality control, establishes that an audit firm or independent auditor have failed to act in accordance with the provisions of Audit Act and other rules of the auditing profession, the Chamber shall take the following measures:</p> <ol style="list-style-type: none"> 1. issue order for the elimination of irregularities 2. impose additional measures required for the elimination of irregularities 3. initiate disciplinary action. <p>The Audit Public Oversight Committee is entitled ex officio or upon a proposal from an interested party, by virtue of the right to oversight, annul, revoke or amend the acts adopted by the Chamber.</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 Audit Public Oversight Committee does not have responsibility for other tasks within the area of Audit Oversight.</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 Audit Public Oversight Committee does not have responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation.</p> |
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| <p>9. Major Events and Activities</p> | <p>9.1 Describe any recent major events and activities:</p> <p>The Audit Public Oversight Committee participated in drafting new Audit Act transposing the Directive 2014/56/EU amending the Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and the Regulation 537/2014/EU on specific requirements regarding statutory audit of public-interest entities.</p> <p>The Audit Public Oversight Committee monitored activities and tasks performed by the Chamber according to the Audit Act.</p> |

