



IFIAR 2018 Member Profile – PAOB

<p>1. Jurisdiction</p>	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>Czech Republic</p>
<p>2. Member¹</p>	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Rada pro veřejný dohled nad auditem Public Audit Oversight Board</p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>Vodickova 38, Praha 1, 110 00 +420 222 947 692 www.rvda.cz</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>Act on Auditors No. 93/2009 as amended and REGULATION (EU) No 537/2014 OF THE 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, specifically Title IV of this Regulation.</p> <hr/> <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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <p>Two new members of the Presidium have been appointed after periodical termination of the two-years term of office of two current members and afterwards the Presidium has elected among its members new President of the Public Audit Oversight Body.</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>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>There are three governing and/or specialised bodies, and the President, who acts in the capacity of the authorised representative body of the Public Audit Oversight Body, defined by the Act on Auditors in this way: Presidium – executive governing board, 6 members including the President (see above), all independent from the audit profession Inspections Committee – 5 members including the Chair, all independent from the audit profession Disciplinary Committee – 5 members including the Chair, all 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>Presidium – member of the Presidium can be a person that:</p> <ul style="list-style-type: none"> • Is a Czech citizen • Has a clean criminal record • Is legally competent • Obtained knowledge or work experience in the area of accounting or audit or law or economy • Does not have and did not have during the past three years <ul style="list-style-type: none"> ○ Participation on the voting rights of an audit company ○ Employment in the audit company • Is not and was not during the past three years member of the steering or supervisory body or a manager or representative of an audit company • Is not a statutory auditor and did not carry out during the past three years statutory audit • Is not and was not during the previous three years before nomination bound by other contract with the auditor • Did not get any disciplinary measure from the Chamber of Auditors that is not effaced
	<p>Inspections Committee and Disciplinary Committee: member must not be a person that presently or in the course of the three previous years:</p> <p>(a) has carried out statutory audits; (b) held voting rights in an audit firm;</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.



	<p>(c) was member of the administrative, management or supervisory body of an audit firm; (d) was a partner, employee of, or otherwise contracted by, 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>
	<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>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>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>There is a cooling-off period of three years, there are no current auditors or practitioners in any of the governing bodies.</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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail:</p> <p>There are some members of the profession but only in the optional advisory commissions, which are neither obligatory nor permanent part of the PAOB organization. These commissions have no decision-making power.</p>



<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>PAOB is funded from the state budget. The budget is agreed annually with the Ministry of Finance.</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>No funding from the profession.</p>
<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>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> <hr/> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>Every 3 years for auditors auditing big PIEs (according to the EU definition) and every 6 years for the others.</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>There are currently around 30 auditors or audit companies we inspect directly. They audit in total around 150 PIEs (according to a new definition valid from 1 January 2016). We do not have complete up-to-date information about the other audits these auditors carry out, but we are responsible for inspecting those as well.</p> <hr/> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <p>Firm – number of PIEs, revenues BDO – 9 PIEs, 170 mil. CZK</p>



	<p>EY – 12 PIEs, 683 mil. CZK Deloitte – 13 PIEs, 484 mil. CZK KPMG – 45 PIEs, 823 mil. CZK Mazars 4 PIEs, 77 mil. CZK PWC – 21 PIEs, 714 mil. CZK Total market – 150 PIEs, 3 081 mil. CZK</p> <p>Note: The revenues are taken from 2016 transparency reports of the auditors. The number of PIEs decreased because of the change of the definition of PIEs. The revenue number of EY changed significantly due to the methodology of reporting of this firm. Previously they reported revenue for all audited Czech 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> <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 (in respect of PIE audits only) <input type="checkbox"/> Other: _____</p> <p>We have an overall responsibility for the quality of audits, but the other activities are carried out through oversight of the activities of the Chamber of Auditors.</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> <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>The registration and licensing is task of the Chamber of Auditors of the Czech Republic. The PAOB is responsible for an oversight of all related activities, mainly:</p> <ul style="list-style-type: none"> • Carrying out of the initial training of the auditors and oversight over the entry exams; • Cooperation with the Chamber of the Auditors in unifying the requirements for training and professional practice.



	<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>PAOB is responsible for review and pre-approval of standards (both audit and ethics) adopted by the Chamber of Auditors that are then finally approved by the assembly of auditors. PAOB has a right of veto in respect of any standard.</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 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>We are responsible for education of the inspectors of both the PAOB and the 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 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>We are responsible for enforcement in relation to the PIE auditors directly. The rest is through oversight of or referral to the Chamber of Auditors.</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>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>N/A</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>January 2017 – roundtable with auditors, internal auditors and audit committees, issue of two publications for audit committees October 2017 – workshop with judges on audit October 2017 – seminar Internal control system of accounting units – the Chamber of Auditors, Supreme Audit Office, Czech Institute of Internal Auditors November 2017 – presentation at a conference of Czech Institute of Internal Auditors on audit committees December 2017 – seminar Auditing and topical issues in financial market – PAOB, the Chamber of Auditors, the Czech National Bank</p>