



IFIAR 2018 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</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>Krisztian Adam, Tolnai, Head of Unit Ministry for National Economy Auditors' Public Oversight Department Budapest, Jozsef nador square 2-4. H-1051 +36 1 795-2236 Home page: 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>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 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 PIE's.</p> <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;

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>b) the drafting and approval of Hungarian national accounting standards, the Chamber's code of ethics, and the national standards relating to quality control;</p> <p>c) the functioning of the continuing professional training program and the quality assurance system;</p> <p>d) the disciplinary proceedings.</p> <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 43/2006/EC Directive 537/2014/EU 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>In June 2016 Hungary implemented the provisions of 56/2014/EU Directive to national law, and the 537/2014/EU became applicable as well.</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>Based on the Act on Audit, the Minister for National Economy is designated as the Auditors' Public Oversight Authority that is responsible for the audit oversight system. The minister delegated his tasks to the Auditors' Public Oversight Department of the Ministry for National Economy.</p> <hr/> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The Minister for National Economy is designated as Auditors' Public Oversight Authority. There is no specific governing body for the Authority.</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>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>The restrictions and the “cooling-off” period are applicable according to the European legislation, 537/2014/EU Regulation. At least 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>
<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 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> <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>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>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>Quality control shall be conducted at least every 3 years for PIE auditors, and every 6 years for non PIE auditors.</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>Number of PIE audit firms: 20 Number of PIE auditors: 48 Number of PIEs: 132</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>PWC: 6 825 million HUF KPMG: 4 015 million HUF EY: 4 838 million HUF Deloitte: 3 405 million HUF</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 <input type="checkbox"/> Other: _____</p> <p>The Authority also has the right to perform investigation on PIE and non-PIE auditors as well.</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 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 a mixed procedure, both Authority and the Chamber of Auditors 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 Camber. 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> <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 checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate</p>



	<p>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>The Chamber of Auditors 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>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>Permanent Education of Auditors is organized by the Chamber of the Auditors. 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>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> <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 has its own enforcement power. In the procedure of inspections and investigations the Authority can impose the following sanctions:</p> <p>a) mandatory participation in advanced training; b) a warning to terminate an existing infringement,</p>



	<p>d) mandatory re-audit, or ordering to have the audit report withdrawn; e) financial penalty; f) withdrawal of special qualification; g) restraint order from exercising the profession of carrying out statutory audits (up to three years)</p> <p>In case of inspections of non-PIE auditors the Authority delegates its sanctioning power to the Chamber of Auditors and act only as second instance in these cases.</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 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>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>Hungary has no responsibility for tasks outside the area of audit oversight.</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>We have not had any recent major events and activities.</p>