



IFIAR 2017 Member Profile – CPOSA

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| 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 (Комисия за публичен надзор над регистрираните одитори) |
| | 2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: Address: Sofia 1000, Bulgaria, 22 Serdika Str., fl. 7 Phone: 003592 983 55 39; 003592 489 72 60 E-mail: office@cposa.bg 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 2009 following the amendments of the Independent Financial Audit Act, adopted by the National Assembly in June, 2008 (repealed on 2nd December 2016).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 – extract from the Independent Financial Audit Act (IFAA) Art. 12. (1) Public oversight of registered auditors shall be carried out by the Commission. |

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) 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 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 activities of audit committees in public-interest entities. <p>(3) The Commission shall be the competent authority for the regulation and oversight of registered auditors in the Republic of Bulgaria.</p> <p>Responsibilities and functions of the Commission</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 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>The new Independent Financial Audit Act (IFAA), promulgated in the State Gazette on 29th November 2016, transposes the provisions of Directive 2006/43/EC, amended by Directive 2014/56/EU, as well as Regulation (EU) No. 537/2014. The new IFAA introduces a requirement for joint audit (only for banks, insurance companies and pension funds), new rules for mandatory rotation of registered auditors, prohibition of the provision of particular services and restrictions on the fees for non-audit services.</p> |



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| | <p>The other important changes are:</p> <ul style="list-style-type: none"> - audit committees of PIEs will be monitored by CPOSA. - acting as the competent authority in Bulgaria for the implementation of Regulation (EU) No 537/2014. - The Commission shall be the competent authority for cooperation and for receiving and providing information to CEAOB in accordance with the provisions of Regulation (EU) No 537/2014 (including information on market monitoring – see Article 27 of the cited Regulation) |
| 3. Governing Body Composition and members | <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> <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.</p> <p>The Chairman and the Members were elected by the National Assembly.</p> <ul style="list-style-type: none"> - 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. <p>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 (they are described in details in the answer to question 3.5).</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 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>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>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:</p> <p>Art. 72 Only Bulgarian citizens meeting the requirements below may serve as a Chairperson and Members of the Commission:</p> <ol style="list-style-type: none"> 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. <p>Art. 73 The Chairperson of the Commission shall be elected by the National Assembly following a public procedure.</p> <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> <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> |
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³ Ibid.



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| | <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> |
| | <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>The requirements of Art. 21 of Regulation (EU) № 537/2014 state the following: “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: (a) has carried out statutory audits; (b) held voting rights in an audit firm; (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. The funding of those authorities shall be secure and free from undue influence by statutory auditors and audit firms.”</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>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>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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| 4. Funding Arrangements | 4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any: 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. |
| | 4.2 Is the funding free from undue influence by the profession? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession: <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." |
| 5. Inspection System | 5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| | 5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization? <input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight 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: |
| | 5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections: The frequency of inspections of PIE-s auditors is at least once in 3 years on the basis of risk assessment. |



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| 6. Audit and Financial 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. | | | | | | | | | | | | | | | | |
| | <p>The total number of registered auditors (natural and legal persons) is 797. This number includes: 173 auditors of PIEs (of which 51 audit companies) for the period 01.07.2015-30.06.2016. For the same period a total of 15 444 audits have been performed, of which 1040 audits of PIEs.</p> | | | | | | | | | | | | | | | | |
| | 6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction? | | | | | | | | | | | | | | | | |
| | <p>Market share of the largest audit firms based on the revenue from audit services:</p> | | | | | | | | | | | | | | | | |
| | <table border="1"> <tr> <td>Deloitte Audit LTD</td><td>11.33 %</td></tr> <tr> <td>KPMG Bulgaria LTD</td><td>9.70 %</td></tr> <tr> <td>Ernst & Young Audit LTD</td><td>9.03 %</td></tr> <tr> <td>PricewaterhouseCoopers Audit LTD</td><td>8.87 %</td></tr> <tr> <td>Grant Thornton LTD</td><td>3.63 %</td></tr> <tr> <td>AFA LTD</td><td>2.58 %</td></tr> <tr> <td>HLB Bulgaria LTD</td><td>2.07 %</td></tr> <tr> <td>BDO Bulgaria LTD</td><td>1.87 %</td></tr> </table> | Deloitte Audit LTD | 11.33 % | KPMG Bulgaria LTD | 9.70 % | Ernst & Young Audit LTD | 9.03 % | PricewaterhouseCoopers Audit LTD | 8.87 % | Grant Thornton LTD | 3.63 % | AFA LTD | 2.58 % | HLB Bulgaria LTD | 2.07 % | BDO Bulgaria LTD | 1.87 % |
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| BDO Bulgaria LTD | 1.87 % | | | | | | | | | | | | | | | | |
| | <p>Market share of the largest audit firms based on the number of audit engagement carried out:</p> | | | | | | | | | | | | | | | | |
| | <table border="1"> <tr> <td>KPMG Bulgaria LTD</td><td>3.07 %</td></tr> <tr> <td>Deloitte Audit LTD</td><td>2.64 %</td></tr> <tr> <td>Ernst & Young Audit LTD</td><td>2.63 %</td></tr> <tr> <td>Grant Thornton LTD</td><td>2.12 %</td></tr> <tr> <td>BDO Bulgaria LTD</td><td>1.73 %</td></tr> <tr> <td>PricewaterhouseCoopers Audit LTD</td><td>1.66 %</td></tr> <tr> <td>HLB Bulgaria LTD</td><td>1.29 %</td></tr> </table> | KPMG Bulgaria LTD | 3.07 % | Deloitte Audit LTD | 2.64 % | Ernst & Young Audit LTD | 2.63 % | Grant Thornton LTD | 2.12 % | BDO Bulgaria LTD | 1.73 % | PricewaterhouseCoopers Audit LTD | 1.66 % | HLB Bulgaria LTD | 1.29 % | | |
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| HLB Bulgaria LTD | 1.29 % | | | | | | | | | | | | | | | | |
| 7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight | 7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight: <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: _____ | | | | | | | | | | | | | | | | |



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| | <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 Institute of Certified Public Accountants (ICPA) organizes and conducts the examinations of the candidates for a certified public accountant. It also registers qualified auditors in accordance with the requirements under IFAA (Art. 36, paragraph 1, points 1, 2, 4, 5 of the IFAA);</p> <p>The Rules and Procedures for the examinations/registering/licensing are approved by CPOSA (Art. 36, paragraph 1, point 6 of the IFAA)</p> <p>According to Article 72, paragraph 2, point 2 and 4: The Commission shall carry out supervision by coming up with decisions on refusals for registration of registered auditors into the register under Art. 20; The Commission shall carry out checks for compliance with legal requirements in the performance by ICPA of its functions under Art. 36, paragraph 1(1)–(5) and under Art. 85, paragraph 3</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)–(5) and Art. 85, paragraph 3”</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 checked="" type="checkbox"/> Directly <input 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</p> |
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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>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>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> <hr/> <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 profession⁶ 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> |
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⁵ Ibid.

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| | <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)-(5) and Art. 85, paragraph 3”</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 profession⁷ 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>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>-</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>Monitoring over the activities of audit committees in public-interest entities (Art. 12, paragraph 2, point 3 of IFAA)</p> <p>CPOSA is also responsible for the market monitoring of the performed PIE audits - as set out under Art. 27 of the EU Regulation 537/2014.</p> |
| <p>9. Major Events and Activities</p> | <p>9.1 Describe any recent major events and activities:</p> <p>A new Independent Financial Audit Act was adopted, with which were implemented the requirements of the EU Regulation 537/2014 and the amended Directive 2006/43/EC</p> |

⁷ Ibid.

