



## IFIAR 2017 Member Profile – EFSA/AOU

<b>1. Jurisdiction</b>	<b>1.1 Insert the name of the jurisdiction in English:</b>  Arab Republic of Egypt
<b>2. Member<sup>1</sup></b>	<b>2.1 Insert the name of the Member, both in the local language and in English:</b>  الهيئة العامة للرقابة المالية - وحدة الرقابة على جودة أعمال مراقبي الحسابات Egyptian Financial Supervisory Authority (EFSA) Auditors Oversight Unit (AOU)
	<b>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</b>  Website: <a href="http://www.efsa.gov.eg/">http://www.efsa.gov.eg/</a> , Email: <a href="mailto:info.aou@efsa.gov.eg">info.aou@efsa.gov.eg</a> 20 Emad El Din Street, Down Town, Cairo, Egypt 2nd Floor P.O. Box 11111 Phone: +202-257-97368 Extension 106 Fax: +202- 257-73693

<sup>1</sup> 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>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:</b></p> <p>The Egyptian Financial Supervisory Authority is a public Authority, having a legal status, established in accordance to law 10 of the year 2009. The objectives of EFSA include maintaining the stability and soundness of non-bank financial markets, regulating and developing the non-bank financial markets, and protecting the rights of investors.</p> <p>The Auditors Oversight Unit (AOU) is the relevant unit within EFSA aiming at verifying the registered auditors' compliance to relevant professional quality standards, decisions and systems as well as their compliance to the applied auditing standards and Code of Ethics. In particular, the AOB functions mainly cover the auditors registration process, inspection process and mechanism, enforcement mechanism, continuous professional development needs assessment and promotion as well as cooperating with professional organizations to suggest auditing, professional code of conduct and independence standards.</p> <p>The AOU functions are carried out by its five sub committees:</p> <ul style="list-style-type: none"> <li>• Registration Committee,</li> <li>• Inspection Committee,</li> <li>• Enforcement Committee,</li> <li>• Follow up on Professional Standards and Cooperating with Professional Organizations Committee, and</li> <li>• Continuous Professional Development Committee</li> </ul>
	<p><b>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?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p> <p>A BoD decision was issued regarding the rules set for listing and delisting of auditors of microfinance companies and NGOs which are licensed to practice this activity. The listing rules are being set pursuant to the following standards:</p>



	<ol style="list-style-type: none"> <li>1- The legal form of the entity , obligations and responsibilities of the auditor</li> <li>2- Portfolio size of the entities practicing microfinance and its impact on the auditor’s responsibilities and duties</li> </ol> <p>In light of these standards, the registry is divided into three sub-sections:</p> <ol style="list-style-type: none"> <li>1- Section (a) : Auditors that audit microfinance companies and NGOs whose portfolio is worth 50 million EGP or more by the end of the previous fiscal year</li> <li>2- Section (b): Auditors that audit NGOs whose portfolio worth 10 million EGP and less than 50 million EGP by the end of the previous fiscal year</li> <li>3- Section(c): Auditors that audit NGOs whose portfolio worth less than 10 million EGP by the end of the previous fiscal year</li> </ol>
<b>3. Governing Body Composition and members</b>	<p><b>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.<sup>2</sup></b></p> <p>The AOU Board of Directors consists of six members including the Chairman and Executive Director. The Chairman of the AOB is the Chairman of the Egyptian Financial Supervisory Authority. All of Board members are non-practitioners and all of them have voting rights.</p> <p>The formation of the Unit’s Board is as follows:</p> <ol style="list-style-type: none"> <li>1- The Chairman of the Egyptian Financial Supervisory Authority (EFSA) or his authorized representative as Chairman</li> <li>2- Fulltime Executive Manager as Deputy Chairman (appointed by EFSA Chairman)</li> <li>3- Central Auditing Organization’s representative as Member (appointed by the Organization’s head)</li> <li>4- Ministry of Finance’s representative as Member (appointed by the Minister of Finance)</li> </ol>

<sup>2</sup> 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.



	<p>5- General Authority of Investment and Free Zones (GAFI) representative as Member (appointed by GAFI Chairman)</p> <p>6- A representative of the experts from investors or professors of accounting and auditing in one of the Egyptian universities as Member (appointed by the minister responsible for applying the Capital Markets Law).</p> <p>In addition, the AOU Board includes four other nonvoting members that represent the main professional organizations in Egypt. These are:</p> <ol style="list-style-type: none"> <li>1- The accounting and auditing free professionals' division head at the Syndicate of Commercial Professions or his authorized representative.</li> <li>2- The head of the Accountants and Auditors Society or his authorized representative</li> <li>3- The head of the Egyptian Institute for Accountants and Auditors or his authorized representative</li> <li>4- One of the experienced auditors (appointed by EFSA Chairman)</li> </ol> <p>Besides, the AOU Board includes two other <u>observer</u> members with no voting rights representing unions, and economic and financial associations. These are:</p> <ol style="list-style-type: none"> <li>1- A representative of the securities society (Chosen by the society's head).</li> <li>2- A representative of the Egyptian Insurance Union (Chosen by the union's head).</li> </ol> <p>It is worth noting that members of the Board who has voting rights cannot practice the profession as an auditor or be professionally associated with any Auditor that is practicing the profession as long as the membership exists.</p> <p>Moreover, meetings in which a sanction or any action is taken against an auditor are attended only by members with voting rights. In the same manner, all matters related to inspection are not discussed in meetings that are attended by the non-voting members.</p> <p><b>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</b></p> <p>To ensure independence from the audit profession, there are no practicing auditors, no employees of an audit firm, and no one who is an office holder of any accountancy body or serves on the Council or any committee of an accountancy body. The board has only two executive members represented by the Chairman and the Executive Director while the other four members are all non-executive members.</p>
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	<p><b>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.<sup>3</sup></b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p>
	<p><b>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</b></p> <p><input type="checkbox"/> Yes                      <input type="checkbox"/> No</p>
	<p><b>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?</b></p>
	<p><b>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?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b></p> <p>However, please note that all the voting members on the Unit’s Board are non-practitioners yet knowledgeable in the relevant audit areas. In addition, the Unit’s Executive Director is not a practitioner nor associated directly or indirectly with one of the auditors practicing the profession throughout his term of membership.</p> <p>It is also worth noting that voting members are not affiliated with the industry and are representatives of relevant different entities including the Ministry of Finance, the General Authority for Investment and Free Zones, university academia, etc. Hence, there is no cooling off period since they weren't practitioners in the first place when they were chosen for membership on the Unit's Board.</p>

<sup>3</sup> Ibid.



	<p><b>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)?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe their role with an appropriate level of detail:</b></p>
<p><b>4. Funding Arrangements</b></p>	<p><b>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</b></p> <p>The running costs of the Unit are covered by EFSA which is funded through many sources that are not dependent on the profession. As a regulator of the market, sources of funds for EFSA depends on levies on listed companies and issuers of securities, services fees, and annual fees for licensing and other sources that do not depend on the auditing and accounting profession. In addition, an annual registration fee is paid by registered auditors.</p> <p><b>4.2 Is the funding free from undue influence by the profession?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p>The funding of the Unit is dependent on EFSA which is the regulator of all the nonbanking financial sectors in the country. The budget of the latter depends on sources not related to the auditing profession.</p>
<p><b>5. Inspection System</b></p>	<p><b>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>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:</b></p>



	<p><b>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</b></p> <p>The AOU's responsibilities, as delegated by EFSA are to provide independent oversight of the regulation of the Egyptian auditing profession by the recognized supervisory and qualifying bodies for audit in Egypt. The AOU's Audit Inspection Department inspects auditors of public-interest entities while the Enforcement Department implements an enforcement mechanism to ensure compliance with applicable accounting and auditing standards and impose sanctions on non-complying auditors. The inspection process is a risk based process where the inspection plan is divided into routine and non-routine inspections. The non-routine are based on risk matrix that highlights those auditors with high risk assignments therefore an inspection on the audit quality is required.</p> <p>Annual routine inspection is done for high risk firms, while low risk ones are subject to inspection every two-three years.</p>
<p><b>6. Audit and Financial Market</b></p>	<p><b>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.</b></p> <p>In Egypt auditors are registered as individuals not as firms. There are 377 registered auditors that are permitted to audit public interest companies. The majority of those auditors are practicing with firms but registered as individuals.</p> <p><b>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</b></p> <p>N/A</p>
<p><b>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</b></p>	<p><b>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</b></p> <p> <input type="checkbox"/> Registration/Licensing  <input type="checkbox"/> Audit and/or Ethics Standard Setting  <input type="checkbox"/> Permanent Education of Auditors  <input checked="" type="checkbox"/> Enforcement  <input type="checkbox"/> Other: _____         </p>





	<p><b>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?</b></p> <p><input 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 audit profession<sup>4</sup> 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> <hr/> <p><b>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?</b></p> <p><input 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 audit profession<sup>5</sup> 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> <hr/> <p><b>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?</b></p> <p><input 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 audit profession<sup>6</sup> 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>
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<sup>4</sup> 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.

<sup>5</sup> Ibid.

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	<p><b>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)?</b></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<sup>7</sup> 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><b>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:</b></p>
<p><b>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</b></p>	<p><b>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:</b></p> <p>N/A</p>
<p><b>9. Major Events and Activities</b></p>	<p><b>9.1 Describe any recent major events and activities:</b></p> <ul style="list-style-type: none"> <li>• The Unit participated in providing training for auditors on the new Egyptian Accounting Standards, which it participated in its drafting.</li> <li>• The Unit offered training courses for auditors who audit the financial statements of the companies, associations and institutions practicing microfinance activity .</li> <li>• The Unit set controls to improve the level of services performed by the auditors, so as to increase the efficiency of auditors' work.</li> <li>• The Unit participated in some of the local and international conferences related to auditors' quality control.</li> <li>• The Unit issued a circular to all auditors under its oversight on the most important observations and irregularities that must be improved and corrected upon reviewing the financial statements.</li> <li>• The Unit contributed to the continuous professional development through regular meetings held with the auditors.</li> </ul>

<sup>7</sup> Ibid.

