LATEST DEVELOPMENTS IN AUDIT REGULATION IN SERBIA

DRAFT AUDITING LAW

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REPARIS CFRCoP Workshop on audit regulation,
May 22-23, 2013, Vienna
DRAFT AUDITING LAW – goals and expectations

- **New AUDITING LAW** – more detailed regulation of audit profession (incl. conditions and manner for performing statutory audit of financial statements, qualifications, exams and certification for auditors, quality assurance of performed audits, oversight of auditors and audit firms, oversight of Chamber of Certified Auditors activities, etc.)

- **MAIN GOAL**: AUDITING LAW shall enhance quality of and trust in financial statements prepared and audited in Serbia – this should have positive impact on all companies in Serbia, state authorities, foreign and domestic investors

- **HOW TO ACHIEVE THIS?**

  1) **BY ENFORCING QUALITY ASSURANCE SYSTEM** – all statutory auditors and audit firms are subject to this system (in accordance with the EU Eight Directive requirements)

  2) **BY ESTABLISHING THE PUBLIC OVERSIGHT BOARD** – responsible for oversight of auditors, audit firms and Chamber of Certified Auditors (in accordance with the EU Eight Directive requirements)
LEGAL ENTITIES SUBJECT TO STATUTORY AUDIT

- Combined thresholds applied for determination of entities subject to statutory audit

- STATUTORY AUDIT COMPULSORY for (stand-alone and consolidated) annual financial statements of:

  1) large and medium-sized legal entities categorized in accordance with thresholds prescribed in DRAFT Law on Accounting (thresholds equal to those in the EU Fourth Directive);

  2) public companies in accordance with the Capital Market Law, regardless of their size;

  3) all legal entities and entrepreneurs exceeding 50% of criteria for classification of „small legal entities“.
COMPETENT AUTHORITIES/BODIES DESIGNATED TO ENFORCE AUDITING LAW

1) MINISTRY OF FINANCE AND ECONOMY:
   • issues and withdraws licenses to auditors and audit firms
   • impose appropriate measures in accordance with the Law

2) CHAMBER OF CERTIFIED AUDITORS:
   • carries out exams and CPD for auditors
   • carries out quality assurance of auditors and audit firms
3) PUBLIC OVERSIGHT BOARD:

- oversees Chambers` activities
- oversees the approval and withdrawal of licenses for auditors and audit firms
- oversees quality assurance system enforcement and measures imposed
QUALITY ASSURANCE SYSTEM

• CHAMBER of CERTIFIED AUDITORS carries out quality assurance of auditors and audit firms (performed audits)

• Quality Assurance performed by "CONTROLLERS“ – certified statutory auditors employed in the Chamber, full-time staff

• All certified statutory auditors and audit firms are subject to Quality Assurance system

• Quality Assurance – shall be performed at least once in 6 years (for non – PIE audit), or at least once in 3 years in case of PIE audits
PUBLIC OVERSIGHT OF AUDIT PROFESSION

• In accordance with the EU Directive requirements, Serbian Government shall establish an independent body – **PUBLIC OVERSIGHT BOARD (POB)** to perform “the second tier" supervision (public oversight) of auditors, audit firms and Chamber of Certified Auditors;

• POB shall have a **chairman and 6 members** – appointment and dismissal by the Government;

• **Ministry of Finance and Economy** (chairman + 4 members), **National Bank of Serbia** (1 member) and **Securities Commission** (1 member) shall propose to the Government members of the POB;

• Governed by a majority of **non-practitioners** – independent from the audit profession and Chamber of Certified Auditors influence

• One member of the POB must be a person representing audit profession (**practitioner**) – certified auditor with at least 10 years of working experience in audit

• **Funding** – from budget
CONCLUSION

IMPORTANT CHANGES IN SERBIAN AUDIT REGULATION NEEDED TO:

1) Enhance quality of entire audit profession in Serbia;

2) Enforce Quality Assurance System – continuing control of auditors and audit firms (making sure that relevant ISAs and ISQC are implemented in practice);

3) Protect public interest – by establishing independent POB;

4) Bring back trust in financial statements prepared and audited in Serbia;

5) Achieve high level of compliance with the EU Acquis communautaire.
THANK YOU FOR ATTENTION