



# OVERVIEW OF ISA ADOPTION IN THE EUROPEAN UNION

April 2015

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## ABBREVIATIONS

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BS	Balance Sheet
EU	European Union
IAASB	International Auditing and Assurance Standards Board
IFAC	International Federation of Accountants
IS	Income Statements
ISA	International Standard on Auditing
ISQC 1	International Standard on Quality Control 1
PIE	Public Interest Entity
SAD	Statutory Audit Directive
SME	Small and Medium-sized Enterprise
SMP	Small and Medium-sized Practice

This document has been prepared by FEE to the best of its knowledge and ability to ensure that it is accurate and complete. However, it is only aimed at providing an executive overview and not a detailed legal analysis. FEE will not be held liable for any loss or damage arising from any inaccuracies or omissions within this document.

## OBJECTIVE

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This publication aims to provide an overview of the current adoption status of International Standards on Auditing (ISAs) in the European Union (EU). The following information is included:

- Adoption status in each EU Member State;
- **Add-ons** or **carve-outs** to clarified ISAs currently in place in EU Member States;
- Adoption status in each EU Member State regarding **ISQC 1**;
- **Guidance** on proportionate application of clarified ISAs; and
- How the application of ISAs (and ISQC 1) is made binding as well as **disciplinary actions** or **sanctions** for incorrect or incomplete application of ISAs (and ISQC 1) in EU Member States.

The information included below has been compiled based on information requested and gathered from FEE Member Bodies.

## BACKGROUND

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Based on the **Directive 2014/56/EU**<sup>1</sup> amending Directive 2006/43/EC<sup>2</sup> on statutory audits (2006 SAD) and the **Regulation (EU) No 537/2014**<sup>3</sup>, “EU Member States shall require statutory auditors and audit firms to carry out statutory audits in compliance with international auditing standards adopted by the Commission<sup>4</sup>”. EU law also empowers the European Commission (EC) to adopt ISAs at a European level, but a timetable for this has not yet been set. In the meantime, the SAD provides that Member States may apply national auditing standards.

Notwithstanding that many EU Member States have voluntarily already adopted the ISAs at a national level, either without modification or with a few national additions, formal adoption by the EC is still desirable for a number of reasons, such as:

- Some EU Member States, including large ones, have not yet adopted ISAs voluntarily and are said to wait for EC adoption (France, Germany and Portugal);
- Without an EU adoption mechanism, new and revised ISAs may be adopted at different times or certain standards may not be adopted at all in some jurisdictions, ultimately resulting in an increased lack of harmonisation throughout the EU; and
- EU-wide coordination and collaboration would enable the establishment of more effective mechanisms to guarantee the quality and acceptability of ISA translations.

<sup>1</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0056&from=EN>

<sup>2</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2006L0043:20080321:EN:PDF>

<sup>3</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0537&from=EN>

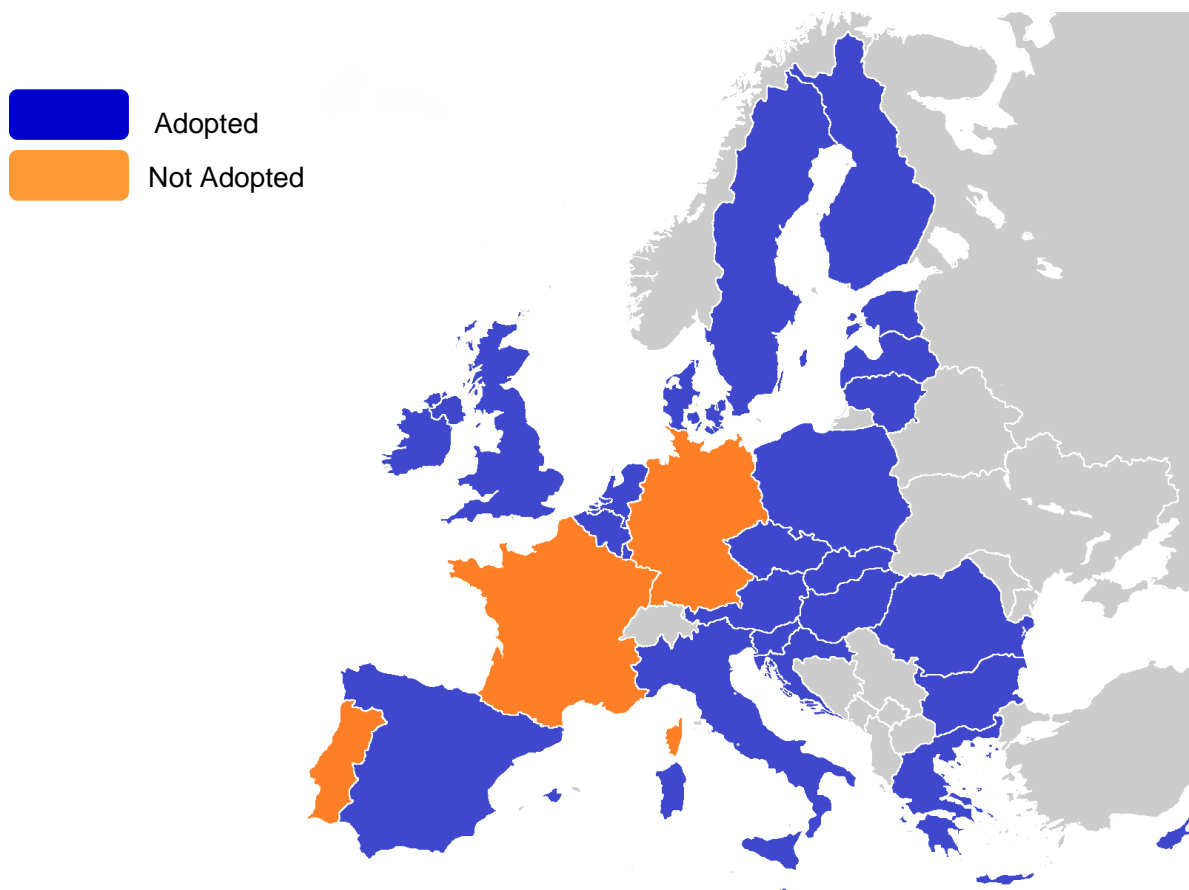
<sup>4</sup> Reference is made to Article 26 of the Directive and Article 9 of the Regulation

## SUMMARY

**Table 1: Status of adoption of clarified ISAs for all audits in the EU (April 2015)**

Countries	Status	#
Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Romania, Slovak Republic, Slovenia, Spain, Sweden, UK	Adopted unamended ISA or ISA+	25
France, Germany, Portugal	Awaiting EC adoption	3
Total		28

**Illustration 1: Status of adoption of clarified ISAs for all audits in the EU (April 2015)**



**Table 2: detailed status of adoption of clarified International Standards on Auditing (ISAs) and International Standard on Quality Control (ISQC) 1**

Country	ISAs		ISQC 1
	Status	Notes	
<b>Austria</b>	Adopted	<b>Add-ons</b> connected to the scope of audit, changes to the financial statements after the audit report has been issued, weaknesses in internal controls, auditor reporting and auditor's attendance in the supervisory board's meeting where the financial statements are approved	Adopted
<b>Belgium</b>	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted
<b>Bulgaria</b>	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted
<b>Croatia</b>	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted
<b>Cyprus</b>	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted
<b>Czech Rep.</b>	Adopted	<b>Add-ons</b> connected to the correction of comparative information (ISA 710 <sup>5</sup> ), the wording of audit report (ISA 700 <sup>6</sup> ) and consistency between financial statements and annual report (ISA 720 <sup>7</sup> )	Adopted
<b>Denmark</b>	Adopted	<b>Add-ons</b> requiring the auditor to issue a report to the Board (or highest management level), provide information on management liability and opinion on the management report	Adopted
<b>Estonia</b>	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted
<b>Finland</b>	Adopted	<b>Add-on</b> connected to the scope of audit and Auditor's report	Adopted
<b>France</b>	Not adopted	The French auditing standards are based on the ISAs and are in substance equivalent to them. There are still a few remaining differences, due to the fact that the French standards were partly based on the pre-clarified ISAs. Some additional standards have also been issued to comply with local regulation.	Not adopted
<b>Germany</b>	Not adopted	The transposition of the clarified ISAs has been substantially completed. Newer revisions to ISAs are dealt with on an individual basis. There are <b>add-ons</b> connected to a number of subject matters. Key matters include, for instance, the requirement to obtain assurance on management reports exceeds the scope of ISA audit (ISA 720 <sup>7</sup> ), specific inclusion of the bookkeeping and risk early recognition system within risk assessment (ISA 315 <sup>8</sup> ) and auditor reporting to the supervisory board (long form audit report) exceeds the relevant requirements applicable in an ISA audit (ISA 260 <sup>9</sup> ) There are also additional matters reported in the (short form) auditor's report beyond the requirements applicable in an ISA audit (ISA 700 <sup>6</sup> )	Not adopted <sup>10</sup>
<b>Greece</b>	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted
<b>Hungary</b>	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted

<sup>5</sup> Comparative Information – Corresponding Figures and Comparative Financial Statements

<sup>6</sup> Forming and Opinion and Reporting on Financial Statements

<sup>7</sup> The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements

<sup>8</sup> Identifying and assessing the risks of material misstatement through understanding the entity and its environment

<sup>9</sup> Communication with Those Charged with Governance

<sup>10</sup> National standards are in compliance with ISQC 1

Country	ISAs		ISQC 1
	Status	Notes	
Ireland	Adopted	<p><b>Add-ons</b> to ISA (UK and Ireland) 402<sup>11</sup> and 570<sup>12</sup>, supplementary application material, Practice Notes and Bulletins; further <b>add-ons</b> subject to FRC consultations: (ISA 720<sup>Error! Bookmark not defined.</sup>, additional standards ISA 250B<sup>13</sup> and ISA 720B<sup>14</sup>, ISA 580<sup>15</sup>, ISA 260<sup>9</sup>, ISA 610<sup>16</sup>, ISA 705<sup>17</sup>, ISA 710<sup>18</sup> and ISA 700<sup>Error! Bookmark not defined.</sup>)</p> <p><b>Carve-outs and other limitations</b> - paragraphs 11-13 of ISA 720<sup>Error! Bookmark not defined.</sup> are not applicable, ISAs 800, 805 and 810<sup>19</sup> have not yet been adopted</p>	Adopted <sup>20</sup>
Italy	Adopted	<p><b>Add-ons</b> to opinion on consistency of the management report with the financial statements (ISA 720<sup>Error! Bookmark not defined.</sup>) and the review of the adequacy of accounting books and records (ISA 250<sup>21</sup>).</p>	Adopted <sup>22</sup>
Latvia	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted
Lithuania	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted
Luxembourg	Adopted	No <b>add-ons</b> or <b>carve-outs</b> (only interpretative notes)	Adopted
Malta	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted
Netherlands	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Not adopted <sup>23</sup>
Poland	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted
Portugal	Not adopted	There is an ongoing process of convergence of Portuguese auditing standards with the ISAs; specific requirements on audit of some kinds of entities and some auditor's tasks resulting from national legislation may be considered <b>add-ons</b>	Adopted
Romania	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted
Slovak Rep.	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted
Slovenia	Adopted	No <b>add-ons</b> or <b>carve-outs</b>	Adopted

<sup>11</sup> Audit Considerations Relating to an Entity Using a Service Organization

<sup>12</sup> Going concern

<sup>13</sup> The Auditor's Right and Duty to Report to Regulators in the Financial Sector

<sup>14</sup> The Auditor's Statutory Reporting Responsibility in Relation to Directors' Reports

<sup>15</sup> Written Representations

<sup>16</sup> Using the Work of Internal Auditors

<sup>17</sup> Modifications to the Opinion in the Independent Auditor's Report

<sup>18</sup> Comparative Information

<sup>19</sup> ISA 800, Special Considerations – Audits of FS Prepared in Accordance with Special Purpose Frameworks

ISA 805, Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a FS

ISA 810, Engagements to Report on Summary Financial Statements

<sup>20</sup> Supplementary guidance explaining relevant ethical requirements applicable in the UK and Ireland

<sup>21</sup> Consideration of Laws and Regulations in an Audit of Financial Statements

<sup>22</sup> To statutory audits only

<sup>23</sup> Similar regulation at least equally demanding is in place (VAO)

Country	ISAs		ISQC 1
	Status	Notes	
Spain	Adopted	Adopted with <b>add-ons</b> . Some paragraphs, not applicable under the Spanish legal framework, have been removed from the text of the ISAs. ISAs – ES (Spain) include the add-ons in boxes and the term “suprimido” (deleted) in the relevant paragraphs. These deletions are not considered carve-outs because they do not reduce the obligations of the auditor.	Adopted <sup>24</sup>
Sweden	Adopted	<b>Add-ons</b> prescribing the annual report to be a subject of statutory audit and requiring some additional auditor reporting (for instance a statement on the adoption of BS and IS by the general meeting and remarks of any significant violations of the companies’ act)	Adopted
UK	Adopted	<b>Add-ons</b> to ISA (UK and Ireland) 402 <sup>25</sup> and 570 <sup>26</sup> , supplementary application material, Practice Notes and Bulletins; further <b>add-ons</b> subject to FRC consultations: certain paragraphs of ISA 720 <sup>27</sup> , ISA 580 <sup>28</sup> , ISA 260 <sup>29</sup> , ISA 610 <sup>30</sup> , ISA 705 <sup>31</sup> , ISA 710 <sup>32</sup> and ISA 700 <sup>33</sup> and additional standards ISA 250B <sup>34</sup> and ISA 720B <sup>35</sup> <b>Carve-outs and other limitations</b> - paragraphs 11-13 of ISA 720 <sup>27</sup> are not applicable, ISAs 800, 805 and 810 <sup>36</sup> have not yet been adopted	Adopted <sup>37</sup>

<sup>24</sup> ISQC 1 is adopted with certain add-ons but is only applicable to statutory audits and other engagements required by law

<sup>25</sup> Audit Considerations Relating to an Entity Using a Service Organization

<sup>26</sup> Going concern

<sup>27</sup> The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements

<sup>28</sup> Written Representations

<sup>29</sup> Communication with Those Charged with Governance

<sup>30</sup> Using the Work of Internal Auditors

<sup>31</sup> Modifications to the Opinion in the Independent Auditor’s Report

<sup>32</sup> Comparative Information

<sup>33</sup> Forming an Opinion and Reporting on Financial Statements

<sup>34</sup> The Auditor’s Right and Duty to Report to Regulators in the Financial Sector

<sup>35</sup> The Auditor’s Statutory Reporting Responsibility in Relation to Directors’ Reports

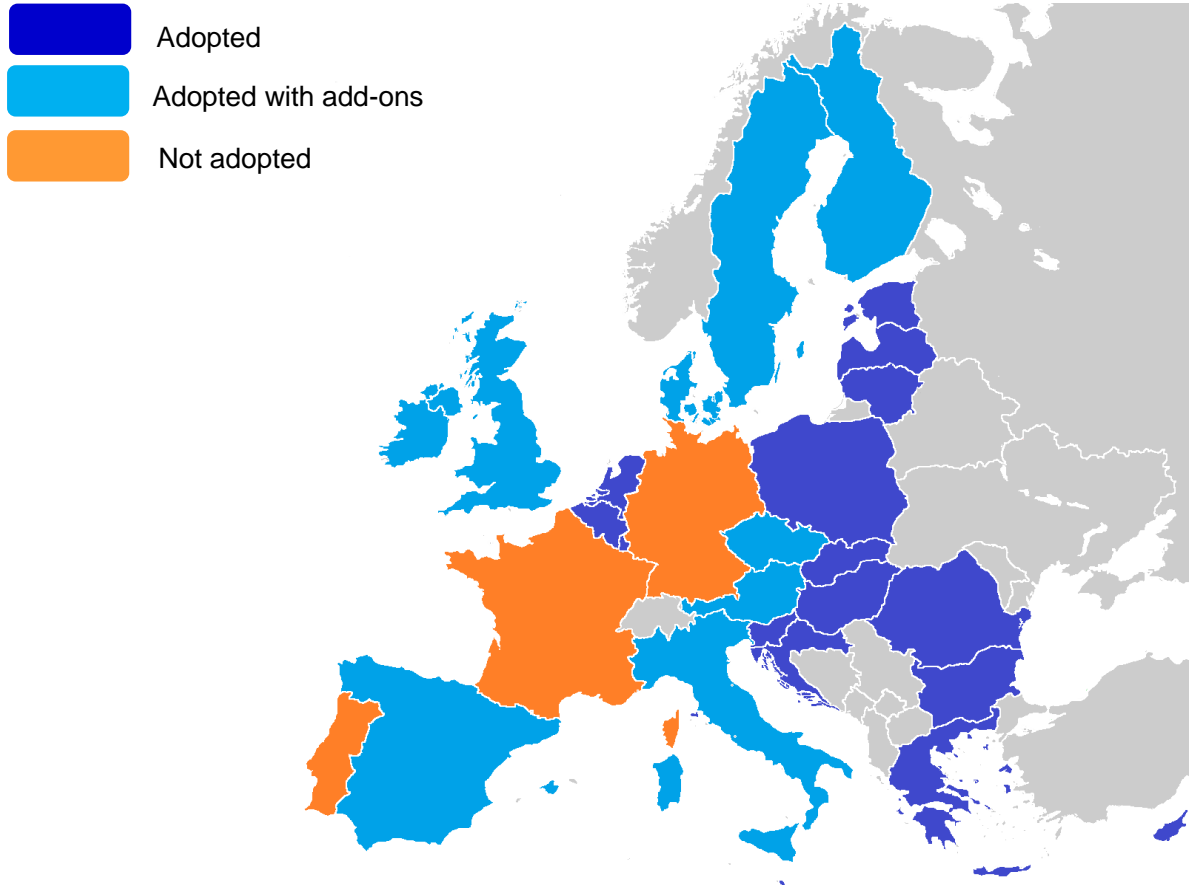
<sup>36</sup> ISA 800, Special Considerations – Audits of FS Prepared in Accordance with Special Purpose Frameworks

ISA 805, Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a FS

ISA 810, Engagements to Report on Summary Financial Statements

<sup>37</sup> Supplementary guidance explaining relevant ethical requirements applicable in the UK and Ireland

**Illustration 2: Overview of add-ons to clarified ISAs for all audits in the EU (April 2015)**





## MAIN OBSERVATIONS

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The clarified ISAs are currently fully adopted in 25 out of 28 EU Member States whereby FEE defined adoption as the use of ISAs as issued by the IAASB or with possible add-ons. Once carve-outs that are reducing the obligation of auditors are implemented, the ISAs are not considered to be adopted. Some countries which have not adopted the ISAs use translated ISAs with amendments, including additions and deletions, as a basis for their national auditing standards. This is referred to as the transposition of ISAs, as is the case in Germany and France.

### Add-ons

Most of the national add-ons are added to comply with national legal or regulatory requirements or company/commercial code requirements. The add-ons to clarified ISAs are mostly connected to:

- Additional auditor reporting requirements;
- Scope of the audit; or
- Supplementary guidance.

### Carve-outs and other limitations

As mentioned above, countries referred to as having fully adopted the ISAs have done so without putting through any carve-outs. However, in specific cases where the carve-outs are not reducing the obligations of auditors, in order to comply with national legislation, are still considering as having adopted the ISAs as issued by the IAASB. This is the case in the UK and Ireland, where the requirements of ISA 720 connected to 'Other information' received after the date of the auditor report are not applicable, because such cases cannot occur in these jurisdictions. Some deletions connected to public sector specific paragraphs and services, which are outside of the scope of Spanish law, were put through in Spain.

Additional limitations, which do reduce the obligations of auditors, are only relevant to countries which have not adopted the ISAs.

### Adoption of Clarified ISQC 1

The majority of all 28 EU Member States have adopted clarified ISQC 1. Some did not adopt the standard as they have national standards in place which are substantially compliant with ISQC 1, such as Germany and the Netherlands.

## APPENDIX

### ISAs

Country	Notes
Austria	<p><b>General Remark:</b></p> <p>With the amended KFS / PG 1, the Professional Guideline by the Expert Committee for Business Law and Audit on Carrying out Statutory Audits (Fachgutachten des Fachsenats für Unternehmensrecht und Revision der Kammer der Wirtschaftstreuhandler zur Durchführung von Abschlussprüfungen) coming into effect in Austria has transposed ISAs by a binding professional standard.</p> <p>Major aspects of statutory audit and auditing standards (audit obligation, selection of auditor, contract between the audited entity and the auditor, scope of the audit work and the auditor's reporting) are governed by Austrian Law (Commercial Code). The Commercial Code is binding as far as those aspects of auditing standards are concerned which are not (necessarily) in line with clarified ISAs.</p> <p>The other aspects of auditing standards in Austria are set by the Institute of Chartered Accountants (Institut Österreichischer Wirtschaftsprüfer, IWP) and the Austrian Chamber of Public Accountants (Kammer der Wirtschaftstreuhandler, KWT), setting standards of professional conduct under the supervision of the Federal Ministry of Science, Research and Economy (BMWFW). These other aspects of auditing standards are set in line with the clarified ISAs and are binding.</p> <p>Since 2008 sec. 269a Austrian Commercial Code stipulates the application of those ISAs which have been endorsed by the European Union which will necessitate amendments of, additions to and carve-outs from the Code.</p> <p>Auditing standard setters in Austria are the legislator (Austrian Parliament) and the professional bodies (KWT and IWP); supervisory authority for the professional bodies being the BMWFW.</p> <p><b>Add-ons</b></p> <p><b>1. statutory auditor's role on the audit of financial statements:</b></p> <p><i>Extension to the scope of the audit by legal requirements:</i></p> <p><i>Assessment of compliance with legal and statutory requirements including the articles of incorporation (Ref. § 268 Abs 1 UGB, § 269 Abs 1 UGB, § 273 Abs 1 UGB)</i></p> <p>The cited provisions of the Austrian Commercial Code (Unternehmensgesetzbuch) form an historical part of the Austrian legal system. They are aimed at strengthening the reliability of corporate reporting and are therefore also seen as an integral part of a sound model of corporate governance.</p> <p><i>Implications for the statutory auditor in connection with subsequent changes to the financial statements after the auditor's report has been issued („Nachtragsprüfung“)</i> (Ref. § 268 Abs 3 UGB)</p> <p>The obligation to adequately reflect changes to the financial statements after issuing the auditor's report increases the reliability of both financial statements and auditor's reports thereon.</p> <p><i>Extension to the scope of audit regarding the propriety of the bookkeeping system</i> (Ref. § 269 Abs 1 UGB, § 274 Abs 2 UGB)</p> <p>Art. 269 para. 1 of the Austrian Commercial Code clarifies that the bookkeeping is part of the scope of the audit. (This clarification might be part of the ISAs anyway.)</p> <p>Art. 274 para. 2 of the Austrian Commercial Code would be replaced by ISA 700.</p> <p><b>2. additional auditor reporting requirements:</b></p> <p><i>Reporting on material weaknesses in internal control in relation to the financial reporting process required in written form for all statutory audits</i> (Ref. § 273 Abs 2 UGB)</p> <p>The knowledge and expertise of the auditor shall be to the benefit of the audited company. Therefore, the law requires the auditor to report on material weaknesses of the internal control in relation to the financial reporting process for all statutory audits.</p>

Country	Notes
	<p><i>Form and content of reporting to those charged with governance (so-called “long-form audit report”):</i> (Ref. § 273 Abs 1 UGB, § 273 Abs 3 UGB)</p> <ul style="list-style-type: none"> <li>• Disclosure of and certain information about items of the financial statements</li> <li>• Report about economic circumstances that negatively affected the financial statements</li> <li>• Reporting about the fulfilment of certain financial statement ratios in accordance with the Austrian Reorganisation Act (“Unternehmensreorganisationsgesetz”, URG)</li> </ul> <p>The Statutory Audit Directive also refers to a “long-form audit report” in its considerations. In the Austrian Commercial Code the content of this long-form audit report is specified. It might well be that single items of the long-form audit report required by Austrian national law are subject to an equivalent rule in the ISAs.</p> <p>The Austrian Business Reorganisation Act (<i>Unternehmensreorganisationsgesetz</i>) aims at preventing insolvencies. Therefore the auditor has to report if certain criteria regarding the financial situation of the company are met.</p> <p><i>Form and wording of the auditor’s report – additional statements in part one of the auditor’s report</i> (Ref. § 274 Abs 2 UGB)</p> <p>ISA 700 would replace this provision.</p> <p><b>3. not related to the audit of financial statements:</b></p> <p><i>Additional report to the financial market authorities for auditors of banks:</i> (Ref. § 63 Abs 3 Z 3 BWG, § 63 Abs 4 BWG)</p> <ul style="list-style-type: none"> <li>• e.g. value of assets, intensification of risks</li> <li>• Assessment of compliance with legal requirements including specific regulations for banks and detailed reporting thereon (AzP – “Anhang zum Prüfungsbericht)</li> </ul> <p>Following Art. 53 of European Directive 2006/48/EC and Article 55 of European Directive 2004/39/EC, the auditor has to report important legal infringements, dangers for the continuance of the credit institution/investment firm and the possible refusal to certify the accounts or to the expression of reservations.</p> <p>Therefore, the rules of § 63 Abs. 3 and § 64 BWG are merely a concretion of the above mentioned Articles.</p> <p>The Austrian system of banking supervision is based on the comprehension of the auditor in the supervision process, which is meant as a good way of making supervision more consistent and efficient.</p> <p><i>Auditor’s attendance in the supervisory board’s meeting where the financial statements are approved</i> (Ref. § 30 h Abs 1 GmbHG, § 93 Abs 1 AktG, §L 52 (1) SEG)</p> <p>The auditor’s attendance in the supervisory board’s meeting where the financial statements are approved is seen as part of a sound model of corporate governance.</p>
<b>Belgium</b>	<p>Belgium has adopted the clarified ISAs without modification through the Standard of 10 November 2009 (published in the Belgian Official Gazette of 16 April 2010), which renders the application of the clarified ISAs compulsory:</p> <ul style="list-style-type: none"> <li>• For PIE’s, for periods ending as from 15 December 2012</li> <li>• For non-PIE’s, for periods ending as from 15 December 2014</li> </ul> <p>In Belgium, there are no <b>add-ons</b>, nor <b>carve-outs</b>, to the ISAs currently in place.</p> <p>In 2013, the Institut des Reviseurs d’Entreprises (IRE) – Instituut der Bedrijfsrevisoren (IBR) has adopted a national standard complementary to the ISAs mainly to take into account the Belgian Company Code’s specific requirements related to auditor reporting.</p> <p>The objective of this standard is to allow the auditor to issue a report in accordance with the ISA’s and the Belgian Company Code. This standard will at least address the following national specificities:</p> <ul style="list-style-type: none"> <li>• The structure of the auditor report (complementary to ISA 700, 705 and 706)</li> <li>• The verification of the director’s report (complementary to ISA 720)</li> <li>• Events that occurred after the deliverance of the report (complementary to ISA 560)</li> </ul>

Country	Notes
Bulgaria	<p>ISAs have been adopted several years ago and are mandatory by law. The latest version published by IFAC is translated into Bulgarian and is available for the users.</p> <ul style="list-style-type: none"> <li>• No <b>add-ons</b> or <b>carve-outs</b> are provided for.</li> </ul>
Croatia	<p>ISAs issued by the IAASB have become obligatory since 2006 after the adoption of the Audit Act by the Croatian Parliament. Since then clarified ISAs were automatically adopted. Currently in use are ISAs, edition 2010, which the Croatian Audit Chamber has translated into Croatian. In the progress is translation of the revised ISAs.</p>
Cyprus	<p>ISAs have been adopted several years ago and are mandatory by law. Clarified ISAs were automatically adopted.</p> <ul style="list-style-type: none"> <li>• No <b>add-ons</b> or <b>carve-outs</b> are provided for.</li> </ul>
Czech Republic	<p>The following <b>add-on</b> related to the audit of financial statements is applicable:</p> <ul style="list-style-type: none"> <li>• ISA 710 – according to national legislation valid till 31 December 2013, comparative information did not need to be corrected provided that the errors of the past periods were corrected in the current accounting period P/L. Therefore an add-on to ISA 710 has been issued.</li> </ul> <p>The following <b>add-ons</b> related to auditor reporting requirements are applicable:</p> <ul style="list-style-type: none"> <li>• ISA 700 – national requirements on the wording of the auditor’s report above the requirements of ISA 700;</li> <li>• ISA 720 – national requirement to verify and issue an opinion on the consistency of information in the financial statements with the information in the annual report</li> </ul>
Denmark	<p>Before the IAASB clarity project, the term “Danish Auditing Standards” was used, but after the full implementation of the clarified ISAs, the standards are now referred to as international standards.</p> <p>All standards, including reporting standards and ISQC 1, are used.</p> <p>When the clarified standards were adopted, all <b>add-ons</b> were removed from the standards.</p> <p>There are a few <b>add-ons</b> required by law that the auditor should be aware of:</p> <ul style="list-style-type: none"> <li>• Auditors must issue a report to the board/highest level of management</li> <li>• The auditors has to give information – an emphasis of matter - about possible management liability;</li> <li>• The auditor has to issue an opinion on the management report</li> </ul>
Estonia	<p>Estonia has already adopted the clarified ISAs without modification (without <b>add-ons</b> / <b>carve-outs</b>) on national level.</p> <p>The only exception for Estonia is related to management representations. In accordance to Estonian Auditing Act all the members of management have to sign the management representation letter, in accordance with ISA only board members represent the management. However, in Estonia it can be broader.</p>
Finland	<p>There are no <b>carve-outs</b>, but there are some <b>add-ons</b> to clarified ISAs as follows:</p> <p>In Finland, the scope of audit is different from that in the ISAs. In Finland an audit covers the audit of the accounting records, the financial statements, the report of the Board of Directors and the administration of a corporation or a foundation.</p> <p>There is some guidance on Finnish regulatory requirements in situations where the ISAs recognize that different practices may apply in different jurisdictions. There are also national model Auditors’ reports, where national legal requirements have been taken into consideration. This guidance is not inconsistent with the ISAs.</p>

Country	Notes
<p><b>France</b></p>	<p>France has transposed ISAs as follows:</p> <p>In 2003, the Compagnie Nationale des Commissaires aux Comptes (CNCC) became responsible for drafting the auditing standards and the Ministry of Justice became responsible for endorsing them after they have received an opinion on the standards from the public oversight body, the Haut Conseil du Commissariat aux Comptes (H3C).</p> <p>The auditing standards which are binding in France (normes d'exercice professionnel (NEP) include the basic principles and essential procedures (black letters) of the pre-clarified ISAs and take into account clarified ISAs, whenever it was possible at the time of the transposition of the ISAs into French law to anticipate the clarified ISAs.</p> <p>The adoption of clarified ISAs in France is framed within the overall process of adoption of ISAs in the EU.</p> <p>There are differences between the French auditing standards and the clarified ISAs, including both <b>add-ons</b> to the ISAs and <b>carve-outs</b> from the ISAs. In general terms, the following characteristics of the NEP should be noted:</p> <ul style="list-style-type: none"> <li>• NEPs do not include the Application and Other Explanatory Material of the clarified ISAs;</li> <li>• NEPs apply for statutory audit engagements as determined by French law (Article L.823-9 of the Commercial Code);</li> <li>• NEPs include a number of additional requirements resulting from French law;</li> <li>• NEPs do not include certain requirements included in the clarified ISAs (as some NEPs were endorsed before the end of ISA clarification process which in some areas added new requirements or elevated guidance to requirements). Nevertheless, those requirements do not bring new principles and therefore do not generate substantial differences with existing NEPs.</li> </ul>
<p><b>Germany</b></p>	<p>Germany has transposed the content of the ISAs into the national auditing standards (IDW Auditing Standards) as follows:</p> <p>The ISA requirements and essential accompanying guidance are transposed into national standards and amended as necessary to address differences arising from legal or regulatory requirements and to address matters of national professional practice (see below). The Objectives and some of the Application and Other Explanatory Material of the clarified ISAs are not specifically included in the majority of IDW Auditing Standards. However, this does not mean that none of the Application and Other Explanatory Material is included in these standards; much of it is presumed to be included but it has not been tracked systematically. Indeed the most recent Standards subject to more substantial revision were also redrafted to follow the format of the clarified ISAs, i.e., to include separate sections for objectives, definitions, and requirements separate from the application material.</p> <p>The transposition of ISAs into IDW Auditing Standards described above has been substantially completed. Transposition of the auditor reporting standards (ISA 700, 701, 706, and 706) released by the IAASB in January 2015 is currently in progress. The IDW is considering whether it is appropriate to transpose ISA 720 in whole or in part.</p> <p>In addition to the transposition of ISAs the IDW Auditing Standards include <b>add-ons</b> connected to a number of subject matters set forth in the German Commercial Code as follows:</p> <p><b>Add-ons</b> related to differences in audit scope:</p> <ul style="list-style-type: none"> <li>• The auditor is required to obtain assurance specifically in respect of information provided in management reports (with specific exceptions), which exceeds the scope of an ISA audit. The German legislator highlights the importance of the management report as separate reporting instrument in addition to the financial statements by requiring an assurance conclusion in the auditor's report. Thus the management report is a distinct subject matter on which the auditor is required to obtain assurance in addition to the financial statements. (Article 317 (2) of the German Commercial Code)</li> <li>• The auditor is required to assess the adequacy of the bookkeeping system and to</li> </ul>

Country	Notes
	<p>report thereon in the auditor’s report. This requirement has been reflected in the IDW Auditing Standard dealing with risk identification and assessment. Whereas the financial reporting provides information relevant to the stakeholders, the bookkeeping serves other functions such as documentation of transactions during the reporting period and basis for taxes. Information about non-compliance of the bookkeeping system with the requirements of the German Commercial Code is also relevant for the supervisory board in fulfilling its oversight function. (Article 317 (1) of the German Commercial Code)</p> <ul style="list-style-type: none"> <li>• There is an explicit legal requirement in Germany for listed stock corporations to implement a risk early recognition system. The auditor is required to assess the risk early recognition system of listed stock corporations. The auditor’s findings with respect to these management’s obligations is intended to support the supervisory board in fulfilling its oversight function, and thus reporting on audit results in this context is only required in the long-form audit report to the supervisory board. Therefore this is not covered by the auditor’s report, unless findings lead the auditor to identify a material misstatement of the financial statements. (Article 317 (4) of the German Commercial Code)</li> <li>• The auditor is required to audit compliance with accounting provisions in the articles of incorporation: The audit assertions in the auditor’s report are not limited to the true-and-fair-view for the financial statements taken as a whole and compliance with law. The auditor’s report contains an opinion about whether – in addition to compliance with the legal financial reporting framework – the entity has complied with further accounting requirements in the articles of incorporation (Article 317 (1), second sentence of the German Commercial Code).</li> </ul> <p><b>Add-ons</b> related to specific auditor reporting requirements:</p> <ul style="list-style-type: none"> <li>• IDW Auditing Standards also deal with the form and content of the long-form audit report used for reporting to those charged with governance. The long-form audit report is an important instrument in the German corporate governance system (two tier system) with which the statutory auditor supports the supervisory board. (Article 321 of the German Commercial Code).</li> <li>• IDW Auditing Standards also deal with the form and wording of the auditor’s report. The German Commercial Code requires explicit (additional) wording in the auditor’s opinion whereby the auditor expressly confirms (or otherwise) that the audit has not led to any reservations. and an assurance conclusion on the audit of the management report i.e., that the management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company’s position and suitably presents the opportunities and risks of future development. (Article 322 (3) first sentence of the German Commercial Code)</li> <li>• The German title of the auditor’s report as foreseen in the law indicates – in contrast to ISA – whether it is a report with an unqualified/qualified opinion (“Bestätigungsvermerk”) or with an adverse opinion/disclaimer of opinion (“Versagungsvermerk”). This terminology is in line with the (inaccurate) German translation of the current Statutory Audit Directive.</li> </ul> <p>In cooperation with the EU Commission an official translation of the ISAs<sup>38</sup> in the German language was undertaken in joint project with representatives of the Swiss and Austrian profession, such that high quality translations would be accessible ahead of the expected future EU adoption pursuant to Article 26 (1) of the EU Directive on statutory audits.</p>
<p><b>Greece</b></p>	<p>Clarified ISAs have been adopted.</p> <ul style="list-style-type: none"> <li>• No <b>add-ons</b> or <b>carve-outs</b> to the clarified ISAs.</li> </ul>

<sup>38</sup> Versions of ISQC 1 and the ISAs as included in the 2010 Handbook published by IFAC

Country	Notes
Hungary	<p>The full text of ISAs is incorporated in the Hungarian Standards on Auditing which means that ISAs are fully and completely adopted. The introductory part of the Hungarian Standard clarifies some expressions used in ISAs.</p> <ul style="list-style-type: none"> <li>• No <b>add-ons</b> or <b>carve-outs</b> are provided for.</li> </ul>
Ireland	<p>The profession in the Republic of Ireland adopts the ISAs (UK and Ireland) promulgated by the Auditing Practices Board (“APB”) of the Financial Reporting Council, London.</p> <p>The overall policy in Ireland and the UK, as implemented by the Financial Reporting Council, is that ISAs (UK and Ireland) should be based on the ISAs issued by the IAASB, augmented as necessary to reflect specific UK and Ireland legal and regulatory requirements and provide additional guidance that is appropriate in the UK and Ireland national legislative, cultural and business context. The supplementary text is clearly highlighted by the use of grey shading<sup>39</sup>.</p> <p>Currently, in the ISAs (UK and Ireland) that adopt the requirements of the corresponding ISAs issued by the IAASB there are the following <b>add-ons</b>:</p> <p>In <b>ISA (UK and Ireland) 402, <i>Audit Considerations Relating to an Entity Using a Service Organization</i></b>, the requirement established in paragraph 9, which specifies matters the auditor obtains an understanding of, includes the supplementary point (e) connected to legal requirements relating to the accounting records kept by companies.</p> <p>In <b>ISA (UK &amp; Ireland) 580, <i>Written Representations</i></b>, within paragraph 11.1 add qualifications around the language use that the representation are made to the best of management’s knowledge and belief.</p> <p>In <b>ISA (UK &amp; Ireland) 610, <i>Using the work of internal auditors</i></b>, the provision of direct assistance by internal auditors is expressly prohibited.</p> <p>In <b>ISA (UK &amp; Ireland) 705, <i>Modifications to the opinion in the independent auditor’s report</i></b>, paragraphs 16 and 23-25, include the words: ‘on financial statements’ when referring to the auditor’s opinion.</p> <p>In <b>ISA (UK &amp; Ireland) 710, <i>Comparative information – corresponding figures and comparative financial statements</i></b> - paragraph 2.1 clarifies the presentation of corresponding amounts.</p> <p>In <b>ISA (UK &amp; Ireland) 720A, <i>The auditor’s responsibilities relating to other information in documents containing audited financial statements</i></b>, paragraph 5c defines other information in the contact of an audit and paragraphs 6.1 and 14.1 express the auditor’s responsibility to read other information for consistency.</p> <p>In <b>ISA (UK and Ireland) 570, <i>Going Concern</i></b>, there are additional requirements established in paragraph 17-1 to 17.3 an paragraph 17.1 reflects the requirement that under UK GAAP there should be disclosure in the financial statements if the period considered by the directors is less than one year from the date of approval of the financial statements.</p> <p>The UK also has two <b>complete supplementary auditing standards</b> that address specific legal and regulatory reporting requirements:</p> <p><b>ISA (UK and Ireland) 250 Section B, <i>The Auditor’s Right and Duty to Report to Regulators in the Financial Sector</i></b></p> <p><b>ISA (UK and Ireland) 720 Section B, <i>The Auditor’s Statutory Reporting Responsibility in relation to Directors’ Reports</i></b></p> <p>In addition, the Financial Reporting Council (FRC) has issued:</p> <p><b>ISA (UK and Ireland) 700<sup>40</sup>, <i>The Independent Auditor’s Report on Financial Statements (Revised September 2014)</i></b> on requiring the auditor’s report to address risks of material misstatements, materiality and a summary of the audit scope (for audits of entities that report on how they have applied the UK Corporate Governance Code). The FRC has not</p>

<sup>39</sup> Copies of the ISAs (UK and Ireland) can be obtained, free of charge, at [www.frc.org.uk/apb/publications/isa/oct2009.cfm](http://www.frc.org.uk/apb/publications/isa/oct2009.cfm)

<sup>40</sup> <http://www.frc.org.uk/News-and-Events/FRC-Press/Press/2013/January/FRC-consults-on-proposals-to-improve-the-auditor’s.aspx>

Country	Notes
	<p>adopted the IAASB standard that governs the form of the auditor's report - ISA 700 (Revised) Forming an Opinion and reporting on Financial Statements. Therefore, the form of UK and Ireland auditor's reports may not be exactly aligned with the precise format of auditor's reports required by ISA 700 issued by the IAASB. However, ISA (UK and Ireland) 700 has been designed to ensure that compliance with it will not preclude the auditor from being able to assert compliance with the ISAs issued by the IAASB.</p> <p>Conforming amendments to <b>ISA (UK &amp; Ireland) 260, <i>Communication With Those Charged With Governance</i></b> for entities that report on application of the UK Corporate Governance Code include additional paragraph 16.1 on communication with the audit committee.</p> <p><b>Add-ons – Application material</b></p> <p>The FRC has also added supplementary application material into some of the ISAs (UK and Ireland). Much of this material is aimed at providing additional guidance about relevant UK and Ireland law and regulations but some is also aimed at assisting audit quality. In addition to the supplementary application material within the ISAs (UK and Ireland) the FRC also issues guidance for auditors in Practice Notes (which are intended to assist auditors apply the auditing standards to specific industries and circumstances) and Bulletins (which provide guidance on new and emerging issues).</p> <p><b>Carve-outs and other limitations</b></p> <p>The requirements in paragraphs 11-13 of <b>ISA 720, <i>The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements</i></b>, deal with other information obtained subsequent to the date of the auditor's report. In ISA (UK and Ireland) 720 these paragraphs are identified as being not applicable in an audit conducted in accordance with ISAs (UK and Ireland) because ISA (UK and Ireland) 700 (see above) requires that "The auditor shall not sign, and hence date, the report earlier than the date on which all other information contained in a report of which the audited financial statements form a part have been approved by those charged with governance and the auditor has considered all necessary available evidence."</p> <p>Whilst the above requirements are identified as non-applicable they are not regarded to be "carve-outs" in the sense of reducing the obligations on auditors – they are rendered non-applicable because of more stringent obligations on the auditor's responsibilities for signing and dating the auditor's report under ISAs (UK and Ireland).</p> <p>The APB/FRC has not adopted the IAASB standard that governs the form of the auditor's report - <b>ISA 700, <i>Forming an Opinion and reporting on Financial Statements</i></b>. The APB has instead issued ISA (UK and Ireland) 700, <i>The Auditor's Report on Financial Statements</i> which addresses the requirements of company law and also provides for a more concise auditor's report, reflecting feedback to APB consultations. The main effect of this is that the form of UK and Ireland auditor's reports may not be exactly aligned with the precise format of auditor's reports required by ISA 700 issued by the IAASB. However, ISA (UK and Ireland) 700 has been designed to ensure that compliance with it will not preclude the auditor from being able to assert compliance with the ISAs.</p> <p>The FRC has not adopted the <b>ISAs 800, 805 and 810<sup>41</sup></b>. In addition to them not being relevant to audits of statutory financial statements in the UK and Ireland, the FRC expressed some concerns in responses to the IAASB's exposure drafts that were not resolved to the FRC's satisfaction in the final standards.</p>
Italy	<p>The Legislative Decree 39/2010, implementing European Directive 2006/43/EC, foresees that until the auditing standards are adopted by the European Commission, all statutory audits (PIEs and non PIEs) are performed in compliance with standards developed by professional bodies and associations (which have subscribed a special convention with the Italian Ministry of Economy and Finance, MEF) and by the Commissione Nazionale</p>

<sup>41</sup> ISA 800, Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

ISA 805, Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a FS  
ISA 810, Engagements to Report on Summary Financial Statements



Country	Notes
	<p>per le Società e la Borsa (Consob). The professional bodies and associations that have subscribed this convention develop standards that are based on the standards issued by the international bodies.</p> <p>The convention was established on 15 December 2011. Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC), ASSIREVI (Italian statutory auditors association) and Istituto Nazionale Revisori Legali (National Institute of statutory auditors – association) are the entities which have been allowed to participate on behalf of the profession, while MEF and Consob participate on behalf of regulators.</p> <p>The members of the Convention have decided to adopt the International Standards on Auditing ISAs (in the clarified version) introducing in the text of the standard some application/interpretation notes useful to localize ISAs in respect of Italian law and regulation. These application/interpretation notes are compliant with IAASB “Guide for National Standard Setters that Adopt IAASB’s International Standards but Find it Necessary to Make Limited Modification”.</p> <p>The text of ISAs remain unvaried while the new Italian paragraphs, useful to specify how the content applies in Italy, are clearly marked by the use of the letter “I” (Italy).</p> <p>Those paragraphs of ISAs that allow to opt for a non application in Italy, in compliance with the Guide, will be grayed out.</p> <p>This process of “localization” of ISAs has been completed at the end of 2014 and the standards in this “modified” version have been adopted by means of an administrative provision issued by the MEF on 5 January 2015. The standards are applicable to the audits of financial statements for periods beginning 1 January 2015 and later.</p> <p>More specifically, the above mentioned <b>application/interpretation notes</b> concern:</p> <ol style="list-style-type: none"> <li>1. Reference to the IESBA Code of Ethics. In Italy the standards on ethics are issued in accordance with a procedure similar to that described above. These standards contain requirements that are at least as demanding as the IESBA Code;s</li> <li>2. ISA 510 “Initial Audit Engagements – Opening balances”. The Italian law does not allow the auditor to use a “split opinion” on the income statement and the balance sheet;</li> <li>3. ISA 710 “Comparative information – Corresponding figures and comparative financial statements”, with reference to comparative financial statements which are not applicable in the Italian jurisdiction;</li> <li>4. ISA 700 “Forming an opinion and reporting on financial statements”. In Italy the auditor’s report shall include an explanation that management is responsible for the preparation of financial statements in accordance with the applicable financial reporting framework (and not also for such internal control necessary to enable the preparation of the financial statements).</li> </ol> <p>In addition, the Italian regulation imposes the adoption of two <b>add-ons</b> or national auditing standards dealing with:</p> <ul style="list-style-type: none"> <li>• The opinion on the consistency of the management report with the financial statements (SA Italia 720B);</li> <li>• The review of the adequacy of accounting books and records throughout the period (SA Italia 250B).</li> </ul> <p><b>No carve-outs.</b></p> <p>Following the process of “localization” of ISAs, as described in Question 1a, ISA 700 (par. 38) was modified to include, within the paragraph “Other reporting responsibilities”, the auditor’s opinion on the consistency of the management report with the financial statements and with the consolidated financial statements, if any. In addition, in case of companies issuing securities traded in regulated markets, the auditor is required to express an opinion on the consistency of some information included in the report on corporate governance with the financial statements, and to verify that such a report has been prepared (though the auditor is not required to issue a specific statement on this report). SA Italia 720B deals with the auditor’s responsibilities concerning these legislative provisions.</p>

Country	Notes
	<p>With reference to the communication with those charged with governance, the Italian law requires the auditor of PIEs to submit to the audit committee an annual report (in writing) on the significant findings from the audit, particularly on material weaknesses in internal control in relation to the financial reporting process (ISA Italia 260 and 265).</p> <p>With reference to the auditor independence, the Italian law requires the auditor of PIEs (not only of listed entities as required by ISA 260) to confirm annually in writing the auditor's independence to the audit committee (ISA Italia 260).</p> <p>Following the process of "localization" of ISAs, Italian regulation imposes the adoption of two national auditing standards dealing with:</p> <ul style="list-style-type: none"> <li>• The opinion on the consistency of the management report with the financial statements;</li> <li>• The review of the adequacy of accounting books and records throughout the period.</li> </ul>
<b>Latvia</b>	<p>Clarified ISAs have been adopted.</p> <ul style="list-style-type: none"> <li>• No <b>add-ons</b> or <b>carve-outs</b> are provided for.</li> </ul>
<b>Lithuania</b>	<p>Clarified ISAs have been adopted.</p> <ul style="list-style-type: none"> <li>• No <b>add-ons</b> and no <b>carve-outs</b> to the clarified ISAs.</li> </ul>
<b>Luxembourg</b>	<p>The Clarified ISAs have been adopted and are effective for all statutory audits.</p> <p>There are no <b>add-ons</b> and no <b>carve-outs</b> to the clarified ISAs. There are some interpretative notes to the clarified ISAs which are meant to explain the application of some of the standards.</p>
<b>Malta</b>	<p>No <b>add-ons</b> and no <b>carve-outs</b> to the clarified ISAs.</p>
<b>Netherlands</b>	<p>No <b>add-ons</b> and no <b>carve-outs</b> to the clarified ISAs.</p>
<b>Poland</b>	<p><b>1. Introduction – current regulations</b></p> <p>In accordance with art. 21 of the Polish Law on Auditors, the Self-Governing Body (Institute/Chamber), Audit Firms and Audit Oversight Commission (07/05/09, "the Audit Law"), the Council of the National Chamber of Auditors (KIBR Council) is responsible for setting auditing standards in Poland (PAS).</p> <p>PAS are adopted by KIBR Council resolution and, in this respect, has been approved by the Audit Oversight Commission (KNA).</p> <p>PAS must be applied in all audits carried out by a Statutory Auditor, regardless of whether the audit is required by law or is voluntary.</p> <p><b>2. PAS – current regulations</b></p> <p>PAS are arranged in three standards – No.1 "General principles of auditing; No.2 "The audit of the consolidated financial statements of capital groups" and No.3 "The general principles of the performance of a review of financial statements, abbreviated financial statements and the performance of other attestation services".</p> <p><b>3. International Standards on Auditing – current regulations</b></p> <p>International Standards on Auditing are referred to in two regulations - the Audit Law and in PAS. The Audit Law requires that auditors apply auditing standards in carrying out audits (Art 4). The Audit law (Art 120) further defines auditing standards as International Standards on Auditing. The definition is however qualified in that until International Standards on Auditing are approved and issued in the form of a legally binding instrument by the European Commission (...), auditing standards are those standards set by the KIBR Council and approved by KNA.</p>

Country	Notes
	<p>PAS sets out circumstances where auditors may be guided by ISAs. These are – where audit matters are not regulated by PAS; in respect of the detailed planning and execution of the audit and in cases of uncertainty. At present the application of ISAs is not compulsory.</p> <p><b>4. Adoption of the IAASB International Standards</b></p> <p>On 1 April 2015 the Audit Oversight Commission approved the KIBR Council resolutions of 10 February 2015 on the implementation of the Clarified ISAs, ISREs, ISAEs, ISQC1 as national standards into Polish law.</p> <p>According to the resolution, ISAs apply for the first time to audits or reviews of financial statements of PIEs prepared for the year ending on 31 December 2016 or later and to audits or reviews of financial statements of entities other than PIEs prepared for the year ending on 31 December 2017 or later.</p>
<b>Portugal</b>	<p>Portugal has not yet adopted the clarified ISAs since the Portuguese Decree-Law states that the international standards on auditing will be used when adopted by the EU.</p> <p>Currently, the clarified ISAs are not used although the current audit framework is ISA related (although based on prior versions of existing ISAs).</p> <p>There is an ongoing process for convergence of Portuguese auditing standards with the ISAs. Some national auditing standards are specific to address local issues which are not addressed by the ISAs and which are maintained.</p> <p>The Ordem dos Revisores Oficiais de Contas (OROC) is responsible for endorsing auditing standards in Portugal under the supervision of the Conselho Nacional de Supervisão de Auditoria (CNSA), the Portuguese Audit Oversight Board.</p> <p>Portugal has as <b>add-ons</b> specific audit standards (that can be considered as an ISA add-on because they pertain to statutory audits):</p> <ul style="list-style-type: none"> <li>• For the audit of some kinds of entities (such as public sector or Regional entities); and</li> <li>• For specific tasks auditors perform (namely tasks that arise from the commercial code such as confirmation of contributions in kind or mergers).</li> </ul>
<b>Romania</b>	<p>No <b>add-ons</b> or <b>carve-outs</b> are provided for.</p>
<b>Slovak Republic</b>	<p>Clarified ISAs have been adopted in 2010.</p> <ul style="list-style-type: none"> <li>• No <b>add-ons</b> or <b>carve-outs</b> are provided for.</li> </ul>
<b>Slovenia</b>	<p>No <b>add-ons</b> or <b>carve-outs</b> to the clarified ISAs</p>

Country	Notes
<b>Spain</b>	<p>International Standards on Auditing (ISAs) are adopted.</p> <p>On 28 January 2013, ICAC approved the adaptation of the clarified ISAs translations for public consultation. In October 2013, the new rules (ISAs-ES) were finally published and they are effective for the statutory audits of reporting periods beginning on or after 1 January 2014 and in any case to all statutory audits engaged from 1 January 2015.</p> <p>There are some small differences with the clarified ISAs including:</p> <ul style="list-style-type: none"> <li>• The effective date of each standard has been dated 1 January 2014;</li> <li>• All references to public sector audits and entities have been deleted;</li> <li>• All references to services which are out of the scope of the Spanish audit law have been removed<sup>42</sup></li> </ul> <p>References to the IESBA Code have been replaced with references to the consolidated text of the Spanish Law on Auditing;</p> <p>Some issues not permitted under the Spanish legal framework have either been omitted - such as double dating of the audit report or the possibility to provide a different opinion in the audit report to the results of operations and cash flows and to the financial position (ISA 510 para. A8 (b) and example 2)– or a special “boxed” text added to provide further explanation on how the ISAs must be applied in the Spanish legal context.</p> <p>Whilst some requirements of the ISAs were deleted they are not regarded to be “carve-outs” in the sense of reducing the obligations on auditors – they are rendered non-applicable because of more stringent obligations on the auditor’s responsibilities for signing and dating the auditor’s report.</p>
<b>Sweden</b>	<p>ISAs are adopted with <b>add-ons</b>:</p> <p>The annual report (sw. förvaltningsberättelse) is subject to statutory audit in Sweden.</p> <p>The Companies Act requires the auditor, based on the audit of the financial statements (ISA) to make a separate statement concerning whether the balance sheet and income statement shall be adopted or not by the general meeting.</p> <p>The Board’s and the Managing Director’s administration is subject to statutory audit. The administration audit coincides to a large extent with the requirements in ISA. The most characteristic differences between the Swedish administration audit and ISA are that the auditor is required to make certain statements and remarks in the auditor’s report:</p> <ol style="list-style-type: none"> <li>(a) A statement on whether the general meeting shall adopt the Board’s suggestion for appropriation of profits,</li> <li>(b) A statement on whether the Board and managing Director shall be discharged from liability by the general meeting and</li> <li>(c) Remarks on any significant violations of the companies’ act, the annual accounts act, the by-laws and non-compliance with tax laws.</li> </ol>
<b>UK</b>	<p>The overall policy in the UK, as implemented by the Financial Reporting council, is that ISAs (UK and Ireland) should be based on the ISAs issued by the IAASB, augmented as necessary to reflect specific UK and Ireland legal and regulatory requirements and provide additional guidance that is appropriate in the UK and Ireland national legislative, cultural and business context.</p> <p>(see <a href="#">Ireland</a> for details)</p>

<sup>42</sup> For example, ISA 800 and ISA 810 have not been adopted and references in ISA 805 to ““specific element, account or item of a financial statement” have been deleted.

**ISQC 1**

Country	Notes
<b>Austria</b>	<p>Quality assurance as a major aspects of statutory audit and auditing standards is governed by Austrian Law (Audit Quality Assurance Act (“Abschlussprüfungs-Qualitätssicherungsgesetz”, „A-QSG“)), whereas section 2 para 2 A-QSG is requiring that quality assurance has to be based on generally accepted national and international standards.</p> <p>The legal reference made to international standards since 2005 has been widely interpreted that ISQC 1 applies for purposes of quality assurance in Austria as well, but some confusion remained in this regard.</p> <p>Besides this, since 1997 professional standard on Quality Assurance (IWP/PG 7) already reflected major aspects of international standards on quality assurance (ISA 220 and ISQC 1), and with its recent amendment in 2011, also latest changes with the clarification of ISQC 1 have been considered.</p> <p>Therefore, clarified ISQC 1 has already been fully adopted at national level.</p>
<b>Belgium</b>	<p>The IRE-IBR has been cooperating for some time with the Institutes of other Member States that share the national languages, Dutch and French and the translation of ISQC 1 into both languages has been finalized.</p> <p>In the light of the application of the ISAs for all audited entities (2014), IRE-IBR has adopted clarified ISQC 1 without modification through the Standard of 11 March 2014 (published in the Belgian Official Gazette of 8 August 2014), which renders the application of clarified ISQC 1 compulsory:</p> <ul style="list-style-type: none"> <li>• For PIEs, on the date of publication in the Moniteur belge;</li> <li>• For non-PIEs, for periods ending as from 15 December 2014.</li> </ul> <p>In 2014, the IRE-IBR has also updated the Guide on Quality Control which is ISQC 1 oriented. The IRE-IBR organizes every year a seminar on ISQC 1 to assist the auditors to apply a quality control within the audit firms by providing concrete examples.</p>
<b>Bulgaria</b>	Clarified ISQC 1 is adopted.
<b>Croatia</b>	ISQC1 issued by IAASB has become obligatory since 2006 after the adoption of the Audit Act by the Croatian Parliament. Since then clarified ISQC1 was automatically adopted. Currently in use is ISQC 1, edition 2010, which the Croatian Audit Chamber has translated into Croatian.
<b>Cyprus</b>	Clarified ISQC 1 is adopted.
<b>Czech Republic</b>	Clarified ISQC 1 is adopted.
<b>Denmark</b>	<p>Clarified ISQC 1 is adopted.</p> <p>A statutory auditor performing assurance services can only do this through a statutory audit firm. All firms are obliged to get a quality control by the government body “Revisortilsynet”. If this body concludes that the audit firm has not implemented a quality control system, it will be brought to the disciplinary body “Revisornaevnet”. The audit firm will typically be fined DKK 100.000</p>
<b>Estonia</b>	Clarified ISQC 1 is adopted without modification (without add-ons / carve-outs) on national level.

Country	Notes
<b>Finland</b>	Clarified ISQC 1 is adopted in Finland since 15 December 2009.
<b>France</b>	Clarified ISQC 1 has not been adopted.
<b>Germany</b>	<p>Germany has transposed the content of ISQC 1 and ISA 220 into the national quality control standard as follows:</p> <p>The “Gemeinsame Stellungnahme der WPK und des IDW: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (VO 1/2006)” (Status at: March 27, 2006), which substantially complies with ISQC 1 and ISA 220 , also establishes more detailed requirements for internal quality control.</p> <p>Section 5 lists the following differences between VO 1/2006 and ISQC 1:</p> <p><b>Add-ons:</b></p> <ul style="list-style-type: none"> <li>• The requirements of VO 1/2006 pertaining to general practice organization of German firms apply to all areas of activity undertaken by German public audit firms whereas ISQC 1 deals with a firm’s responsibilities for its system of quality control for audits, reviews of financial statements, and other assurance and related services engagements.</li> <li>• Going beyond the requirements of ISQC 1, the VO 1/2006 requires firms to perform appropriate overall planning of all their engagements to ensure that these can be completed properly and on time.</li> <li>• ISQC 1 requires an engagement quality control review be performed for audits of listed entities and those engagements, if any, for which the firm has determined an engagement quality control review is required. In addition, the VO 1/2006 also requires a specific review of the draft auditor’s report and long-form audit report together with the relevant working papers (Berichtskritik) be performed for all engagements for which a firm uses its professional seal, unless in the professional judgment of the German public auditor this is not necessary in the individual circumstances.</li> </ul> <p><b>Exception:</b></p> <ul style="list-style-type: none"> <li>• In respect of a firm’s monitoring process, ISQC 1 stipulates that those inspecting engagements are not involved in performing the engagement or the engagement quality control review. VO 1/2006 provides for an exception to this when a firm does not have relevant qualified staff available to adhere to this, aligning this to the national requirements which permit owners of small firms (e.g., sole practitioners) to undertake post engagement monitoring themselves in order to be satisfied as to their own engagement quality control.</li> </ul>
<b>Greece</b>	Clarified ISQC 1 is adopted.
<b>Hungary</b>	Clarified ISQC 1 is adopted.
<b>Ireland</b>	ISQC (UK and Ireland) 1 adopts the IAASB clarified ISQC 1 standard. There are no supplementary requirements or carve-outs. There is a small amount of supplementary guidance, primarily to explain the ‘relevant ethical requirements’ that apply in the UK and Ireland.

Country	Notes
<b>Italy</b>	<p>Clarified ISQC 1 is adopted limited to statutory audit. Adoption of ISQC 1 to reviews of financial statements and to other assurance and related services engagement is not mandatory.</p> <p>As described in Question 1a, ISQC 1 contains minor modifications in order to include some Applicative/interpretative notes in accordance with Italian regulation.</p>
<b>Latvia</b>	Clarified ISQC 1 is adopted.
<b>Lithuania</b>	Clarified ISQC 1 is adopted.
<b>Luxembourg</b>	Clarified ISQC 1 is adopted.
<b>Malta</b>	The adoption of clarified ISQC 1 is mandatory because it is part of ISAs and is to be applied for all services falling under the IAASB's Engagement Standards. Adherence to ISAs is a requirement of Maltese Law (please see answer to Question 4 below).
<b>Netherlands</b>	<p>In the Netherlands, ISQC1 has not been adopted, but similar regulation ("Verordening accountantsorganisaties") based on the law regarding the supervision of audit firms that perform statutory audits ("Wet toezicht accountantsorganisaties").</p> <p>ISQC1 has been the basis for the regulation on quality systems with regards to statutory audits. Part of it has been implemented in law (Bta / Wta) the rest of ISQC1 has been implemented in the VAO. We are of the opinion that the Dutch regulation is at least as demanding as (the clarified version of) ISQC1.</p>
<b>Poland</b>	On 1 April 2015 the Audit Oversight Commission approved the KIBR Council resolution of 10 February 2015 on the implementation of the Clarified ISQC1 as principles of internal quality control in an entity authorized to audit financial statements (audit firms). According to the resolution, audit firms performing audits or reviews of financial statements of PIEs prepared for periods ending between 31 December 2016 and 31 December 2017, are obliged to adapt their activities to the above mentioned resolution by 1 January 2016, and other audit firms – by 1 January 2017.
<b>Portugal</b>	Clarified ISQC 1 was adopted in 2011 and all auditors and audit firms have to comply with it. The first quality controls based on ISQC 1 from the Ordem dos Revisores Oficiais de Contas (OROC) (the professional accountancy body) are very recent so there is no formal opinion yet on how such standard is being complied with although it is sure that all professionals have made an effort to "walk" to full compliance of the standard.
<b>Romania</b>	<p>The Chamber of Financial Auditors of Romania adopted the clarified ISAs and the clarified ISQC 1 by the Decision of the Chamber's Council No. 152/23 in September 2009. These standards were adopted as such, without any add-ons or carve-outs.</p> <p>The clarified ISAs are in force for the audits of financial statements beginning on 1 January 2010. The clarified ISQC 1 is applicable starting 15 December 2009.</p> <p>According to Government Emergency Ordinance no. 75/1999 regarding financial audit, republished with subsequent amendments and completions, Article 2: Financial audit is the activity carried out by financial auditors in view of expressing an opinion on financial statements or some parts thereof, the exercise of other assurance engagements and professional services according to the International Auditing Standards and other regulations adopted in whole by the Chamber of Financial Auditors of Romania</p> <p>According to Chapter 5, Article 28, Pt. (1) of the Government Emergency Ordinance No.</p>

Country	Notes
	90/2008 regarding the Statutory Audit of Annual Financial Statements and Consolidated Financial Statements, "The statutory auditors and audit firms must carry out the audits in compliance with the international auditing standards." This Government Emergency Ordinance is the law that implements the provisions of 2006/43/EC SAD in Romanian legislation.
<b>Slovak Republic</b>	Clarified ISQC 1 is adopted.
<b>Slovenia</b>	Clarified ISQC1 is adopted on the basis of the Auditing Act.
<b>Spain</b>	The Standard on Internal Quality Control of auditors and audit firms was published by Resolution of the Accounting and Auditing Institute (ICAC) on the 26th October 2011 and an amended one was published by Resolution of the ICAC in December 2013 to adopt ISQC1. In the final standard, similarly to what has been made for the adoption of the ISAs, references to any service or engagement out of the scope of the auditing law (public sector audit and other services) have been deleted. In addition, the effective date has been changed and some add-ons and interpretation criteria included.
<b>Sweden</b>	Clarified ISQC1 was adopted on 1 January 2011.
<b>UK</b>	ISQC (UK and Ireland) 1 adopts the IAASB ISQC 1 standard. There are no supplementary requirements or carve-outs. There is a small amount of supplementary guidance, primarily to explain the 'relevant ethical requirements' that apply in the UK and Ireland.



## National guidance on proportionate application

Country	Notes
<b>Austria</b>	<p>Since 2007, the Institute of Chartered Accountants (Institut Österreichischer Wirtschaftsprüfer, IWP) has issued a handbook on quality assurance, a guidance especially addressing the needs of SMPs.</p> <p>Any other guidance especially addressing the proportionate application of international standards does not exist, as it is the position of both the Institute of Chartered Accountants (IWP) and the Austrian Chamber of Public Accountants (Kammer der Wirtschaftstreuhänder, KWT) that ISAs are scalable standards reflecting aspects of proportionate application and do not require any additional guidance.</p>
<b>Belgium</b>	<p>Reference is made to the publication of IAASB « <i>Applying ISAs Proportionately with the Size and Complexity of an Entity</i> » (August 2009). In 2013, the IRE-IBR has also published a circular on this subject.</p> <p>The IRE-IBR developed a Guide oriented to SMPs and to the audit of SMEs by providing check-lists and templates which illustrate the control procedures to perform when auditing a SME. This guide is available on the website as from January 2012 and is principally a practical guidance.</p> <p>Please find hereunder the link to the guidance in French and in Dutch:  <a href="http://www.icci.be/fr/publicaties/downloads/Pages/listesdecontrole-matrices.aspx">http://www.icci.be/fr/publicaties/downloads/Pages/listesdecontrole-matrices.aspx</a>  <a href="http://www.icci.be/nl/publicaties/Downloads/Pages/isa-checklists-en-templates.aspx">http://www.icci.be/nl/publicaties/Downloads/Pages/isa-checklists-en-templates.aspx</a></p> <p>The IRE-IBR, in collaboration with CNCC, has also developed Pack Petites Entités-Kleine Entiteiten (Pack PE-KE) providing tools to allow the auditor to perform an audit of a small entity in accordance with the clarified ISAs adopted in Belgium and Belgian law.</p> <p>Simultaneously to the adoption of clarified ISQC 1 in 2014, the IRE-IBR has published three circulars relating to the Belgian specificities with respect to the application of ISQC 1 in Belgium (confidentiality, independence and responsibility) and in order to clarify the notion of “relevant ethical requirements” in this context.</p>
<b>Bulgaria</b>	<p>Training courses on ISAs for the members of the Institute within the Programme for continuous professional education are carried out each year. The lecturers of these courses are experienced practitioners representing the Bulgarian profession as well as guest lecturers from other countries.</p> <p>Some materials published by IFAC, are translated and distributed among the members of the institute - such as Guide to Practice Management of Small and Medium-sized Practices; Audit Practice Alerts; Guide to Quality Control for Small and Medium-Sized Practices etc.</p>
<b>Croatia</b>	<p>The Croatian Audit Chamber for its members organizes the training courses and workshops within the programme for continuous professional education of certified auditors regarding implementation of ISAs and ISQC 1 and about their proportionate application. As of 2014 the Croatian translation of the IFAC Guides are available for the members, as follow:</p> <ol style="list-style-type: none"> <li>1. Guide to Using International Standards on Auditing in the Audits of SMEs, Volume 1 - Core Concepts, Third Edition, November 2011;</li> <li>2. Guide to Using International Standards on Auditing in the Audits of SMEs, Volume 2 - Practical Guidance, Third Edition, November 2011;</li> <li>3. Guide to Quality Control for SMPs, Third Edition, August 2011.</li> </ol>
<b>Cyprus</b>	None

Country	Notes
<b>Czech Republic</b>	No national guidance on proportionate application of clarified ISAs is available, full application of all relevant ISAs is requested for audits of all types and sizes of companies.
<b>Denmark</b>	The ISA's are used in full. Nor the government or the institute have issued any guidance on proportionate implementation. FSR market an IT-system (audit software), Revimentor, which has now been built together with Caseware, which is also sold by FSR in Denmark. There are also competing systems that help the SMP's to comply with the standards.
<b>Estonia</b>	We have no national guidance.
<b>Finland</b>	There is no national guidance on proportionate application of clarified ISAs. IFAC's "Guide to Using International Standards on Auditing in the Audits of SMEs" has been translated into Finnish. Also the Guide to Quality Control for SMPs has been translated into Finnish
<b>France</b>	<p>Professional Standard 910 - Statutory Audit of Entities under Article L823-12-1 of the Commercial Code - which deals with the scalability of statutory audits for small entities, has been issued by the Compagnie Nationale des Commissaires aux Comptes (CNCC) and endorsed by the Ministry of Justice in 2009.</p> <p>This standard has been set in the context where French law requires that auditors perform their audits following a specific professional standard in partnerships, limited partnerships, limited liabilities entities and entities with limited shareholdings which do not exceed certain thresholds at the end of the fiscal year.</p> <p>These thresholds, stipulated by article R. 823-7 of the Commercial Code are the following:</p> <ul style="list-style-type: none"> <li>• Turnover excluding taxes: Euro 3.1 million, Total assets: Euro 1.55 million, Number of employees: 50</li> </ul> <p>Faced with this legal obligation and anxious to preserve the unity of the audit, the French profession has developed the above mentioned standard (known as the standard for 'Petites Entreprises' or 'PE' or small entities) which preserves all the basic principles and essential procedures of auditing and provides auditors with implementation guidance tailored to the audit of SMEs E (see paragraph 2 of that standard). In this it does not lead to a "light" audit.</p> <p>Indeed this standard specifies in its paragraph 3 that in order to express an opinion on the financial statements, the auditor performs the procedures provided by the professional standards for the audit of the financial statements, which he adapts based on professional judgment to the specific context of the SME audits. These procedures are adapted to take into account the following circumstances, which are common in an SME environment:</p> <ul style="list-style-type: none"> <li>• Direct communication with Management that enables the auditor to assess the conduct and professional ethics of Management;</li> <li>• A control environment that is based on the direct involvement of Management in the authorization process and control of operations;</li> <li>• A timing, later in the year, for the performance of the audit which will often see the clearance of account balances or the settlement of transactions recorded.</li> </ul> <p>It should be noted that, again in order to maintain the compatibility of its standards to international standards, the profession has ensured that modification terms set forth in the PE standard comply, in both the letter and the spirit, with the application material of the ISAs. For example, ISA 315 states in paragraph A49 that in a small entity owned by its manager, the latter may be able to exercise overall control of the activity more effectively than in a larger entity:</p> <p><i>"Smaller entities often have fewer employees which may limit the extent to which segregation of duties is practicable. However, in a small owner-managed entity, the owner-manager may be able to exercise more effective oversight than in a larger entity. This oversight may compensate for the generally more limited opportunities for segregation of duties."</i></p>

Country	Notes
<p><b>Germany</b></p>	<p>The IDW's initiative is to establish a common understanding of all relevant parties that ISAs follow a principles-based approach that permits the auditor to adapt audit procedures, by applying professional judgement, to the specific circumstances of the individual engagements. The IDW is certainly very sensitive to the need for auditing standards to be appropriate for audits of the financial statements of all sizes of entity and thus scalability (or proportionality) is viewed as a key issue.</p> <p>At the same time the IDW also follows the policy "an audit opinion is an audit opinion", and does not believe the profession would benefit should there be a public perception of two classes of audits.</p> <p>In order to foster acceptance for the ISAs and ISQC 1 amongst our members the IDW:</p> <ul style="list-style-type: none"> <li>• Continues to transpose the international standards into the national standards, as this makes them more "palatable" from a language viewpoint, and</li> <li>• Prepared together with the Austrian and Swiss institutes (in cooperation with the EC DG translation) the official translation of the ISAs in the German language, such that translations are accessible ahead of the expected future EU adoption.</li> </ul> <p><b>IDW's Approach:</b></p> <p>Throughout the IAASB's clarity project our technical department looked through each ISA in order to assess whether any specific requirements would not be appropriate or necessary in an SME audit environment. We concluded that some requirements, including conditional requirements would either be "not relevant" (see ISA 200.22) because the circumstances would not be encountered in SME audit clients or an entire ISA might not be relevant in a particular engagement. However, we but did not identify any further specific requirements that would likely be inapplicable in the audit of an SME's financial statements.</p> <p>In order to assist its members with the proportionate application of the IDW AuS (and ISAs) the IDW has undertaken the following:</p> <ul style="list-style-type: none"> <li>• Prepared a structured overview of the ISA requirements (as a basis for methodology or software development). This comprises an analysis of the ISA requirements according to type, i.e. conditional or unconditional etc., and an analysis as to how each requirement would fit into an audit process by analyzing the requirements on a step-by-step basis for the development of audit methodologies.</li> <li>• Published the IDW Quality Assurance and Audit Handbook, which is updated regularly. This Handbook guides practitioners through the audit process in particular, and thus assists SMPs in performing quality audits pursuant to the IDW Auditing Standards. It includes checklists that can be tailored to the individual audit circumstances, and specimen documents (e.g., engagement letters, and in particular group audit instructions etc.)</li> <li>• Developed an electronic directory (IDW Prüfungsnavigator – IDW Audit Navigator) that is linked to the relevant part of the IDW handbook and to various texts from law or from the IDW AuS. The Audit Navigator has been designed for direct application in audits of smaller or less complex entities and as an educational tool for audit staff and trainees. It takes auditors and students through each of the key steps in the audit process, giving access to the detailed source of a requirement (auditing standards and, where applicable, text of relevant legislation), guidance in the IDW Practice Handbook and specimen letters and checklists, in various degrees of detail (drill down facility). The IDW has released the first podcasts as an interview session (U-Tube) to introduce and explain the IDW Audit Navigator. The IDW Audit Navigator also has recently been integrated into the audit software of several providers</li> <li>• Entered in a longer-term cooperation with a provider of audit software: The IDW is seeking to cooperate with software providers in order to ultimately achieve audit software of a high quality being made available to German auditors. The IDW is seeking to cooperate with further software providers.</li> <li>• Published a set of questions and answers (FAQs) to deal with particular ISAs</li> </ul>

Country	Notes
	<p>(materiality, group audits, identifying and assessing risk of material misstatement, third party confirmations, evaluation of misstatements). The FAQs include practical examples to guide auditors in application of the relevant standards.</p> <ul style="list-style-type: none"> <li>Developed two publications regarding the proportionate application of ISA documentation requirements in an SME-context, based on the UK FRC Practice Note 26 (Revised) "Guidance on Smaller Entity Audit Documentation". These publications aim to assist IDW practitioners in complying with the documentation requirements in an efficient manner and to inform practitioners as to the extent of documentation required by the ISAs and IDW AuS. The Guidance includes selected excerpts from fictional audit working papers, to demonstrate various approaches an auditor could take in documenting audit procedures, results and conclusions.</li> <li>Published a series of Articles in the IDW's twice monthly journal "Die Wirtschaftsprüfung" (WPg) introducing ISAs by standard or in pairs. Whilst these articles are general in nature, they also included a discussion of practical aspects including proportional application where applicable</li> <li>Promoted various topics (including ISA related issues) by means of live Q&amp;A sessions/ interviews with individual experts over the past few years. These sessions are also recorded and available to our members for a limited period thereafter. ("IDW Live im Netz").</li> <li>Promoted new products and significant developments affecting the profession (including ISA related issues) by various means, including regional roadshows dealing with current issues (IDW Treffpunkt). This format also allows the IDW interaction with its members to gain feedback as to their views on selected issues.</li> </ul>
<b>Greece</b>	Audit Software for the audit of SMEs has been made available for SMPs by SOEL.
<b>Hungary</b>	<p>There is a national guidance for proportional application of the National Standard on Auditing for SMEs on the Chamber's website, though only in Hungarian:  <a href="http://www.mkvk.hu/tudastar/utmutatok/kkv">http://www.mkvk.hu/tudastar/utmutatok/kkv</a></p> <p>Other guidance is being prepared for quality assurance review of SMEs according to the Hungarian Standard on Auditing.</p>
<b>Italy</b>	<p>In February 2012, CNDCEC has developed guidelines for the application of clarified ISAs to SMEs. These guidelines, available only in Italian, derive from the ISA Guide, issued by IFAC.</p> <p>In addition, CNDCEC has performed and made publicly available the translation into Italian of the ISA Guide.</p>
<b>Ireland</b>	Following convocation, which identified that additional guidance to assist the application of the standards to the audit of smaller entities would be beneficial, the APB issued such guidance in Practice Note 26, <i>Guidance on Smaller Entity Documentation</i> <sup>43</sup> .
<b>Latvia</b>	There is no national guidance on proportionate application of clarified ISAs.
<b>Lithuania</b>	There is no national guidance on proportionate application of clarified ISAs.
<b>Luxembourg</b>	There is no national guidance on proportionate application of clarified ISAs but the Audit Supervisory body uses the material issued by IFAC on that matter.

<sup>43</sup> Practice Note 26 can be obtained at [www.frc.org.uk/apb/publications/pub2193.html](http://www.frc.org.uk/apb/publications/pub2193.html)

Country	Notes
<b>Malta</b>	No national guidance in relation to the proportionate application of clarified ISAs.
<b>Netherlands</b>	<p>We feel that the current ISAs are proportionate. The Netherlands have implemented the ISAs since the late nineties of the last century. Although practitioners complain about the proportionality, they have been able to manage.</p> <p>We have translated the IFAC Guide to Using ISAs in the Audits of SMEs. Although proportionate application is not explicitly mentioned in this guide, the principle is applied in the guide.</p> <p>Please find enclosed the links to the translated IFAC Guide below:  <a href="http://www.nba.nl/Actueel/Nieuws/Nieuwsarchief/Handleiding-Nederlandse-controlestandaarden-bij-controles-in-het-mkb1//">http://www.nba.nl/Actueel/Nieuws/Nieuwsarchief/Handleiding-Nederlandse-controlestandaarden-bij-controles-in-het-mkb1//</a></p>
<b>Poland</b>	There is no national guidance.
<b>Portugal</b>	There is no written guidance in the native language for proportionate application of clarified ISAs.
<b>Romania</b>	<p>The Chamber of Financial Auditors of Romania, in cooperation with CECCAR - the Body of Expert and Licensed Accountants of Romania - translated and published in the first quarter of 2012 the 3<sup>rd</sup> edition of the IFAC publication "Guide to Using International Standards on Auditing in the Audit of Small- and Medium-Sized Entities".</p> <p>In May 2010, CAFR published, under the copyright granted by the Institute of Chartered Accountants in Scotland, the "Procedures for Quality Audit. This guidance was meant to help financial auditors, Chamber's members, in the design and documentation of audit procedures, for compliance with the ISAs.</p> <p>The IFAC Guide to Using International Standards on Auditing in the Audit of SMEs has been translated into Romanian by the Body of Expert and Licensed Accountants of Romania (CECCAR) and was published together with CAFR. It represents the Romanian translation of the guide available in English on the IFAC website.</p> <p>This guide is available for our members only in printed format, not in electronic format. Only CECCAR has this material in electronic format.</p>
<b>Slovak Republic</b>	Educational programs in the form of multiple-day seminars were organised on the themes of "Audit in SMEs", "ISQC 1" and "The Code of Ethics of SKAU Auditors". These seminars were organised by SKAU (Slovenská Komora Audítorov) especially for the benefit of auditors and their assistants. On each of the themes of the seminars, a Handbook has been made available on the website of SKAU.
<b>Slovenia</b>	None.
<b>Spain</b>	There is no such guidance.
<b>Sweden</b>	<ul style="list-style-type: none"> <li>• There is no guidance developed in Sweden for the proportionate application of clarified ISAs, but how to apply ISA proportionately is dealt with in training courses and seminars.</li> <li>• In 2012, FAR published the Swedish translation of IFAC's Guide to Using International Standards in the Audits of SMEs, part 2.</li> </ul>

Country	Notes
UK	<p>When the APB consulted on the adoption of the clarified ISAs it asked for comments on whether the same standards should apply to audits of entities of all sizes. There was clear support for this view from respondents, with strong arguments expressed in favour of applying the same standards to all audits, including:</p> <ul style="list-style-type: none"> <li>• Views that dual standards are not practical and would lead to confusion for companies, investors and auditors in understanding the nature of an audit.</li> <li>• Beliefs that different standards would create two tiers of audit, compromising perceptions of the value of a smaller entity audit and leading to the audit profession becoming more stratified.</li> <li>• Expectation that having more than one set of standards would result in additional costs for those firms which would audit under both sets of auditing standards.</li> </ul> <p>However, it was also identified that additional guidance to assist the application of the standards to the audit of smaller entities would be beneficial, particularly in relation to clarifying the documentation requirements. This guidance is provided in Practice Note 26, <i>Guidance on Smaller Entity Documentation</i><sup>44</sup>.</p>

<sup>44</sup> Practice Note 26 can be obtained at [www.frc.org.uk/apb/publications/pub2193.html](http://www.frc.org.uk/apb/publications/pub2193.html)

## Application enforcement

Country	Comment
<b>Austria</b>	<p>As explained in Question 1 of the “Compilation of Responses to Adopt and Implement IAASB’s clarified ISAs”, with an amendment of the Austrian Commercial Code in 2009 ISAs will be formally binding in Austria as soon as ISAs adopted by the EU.</p> <p>The total of national auditing standards including legal regulation and mandatory professional standards now reflect all aspects of ISAs and are binding for all members of the profession. Violation of these standards may cause diverse disciplinary actions and sanctions imposed by the legal framework for the profession (Public Accountants’ Statute of Professional Practice (Wirtschaftstreuhandberufsgesetz, WTBG) and Audit Quality Assurance Act (Abschlussprüfungs-Qualitätssicherungsgesetz, A-QSG).</p>
<b>Belgium</b>	<p>The application of the ISAs is made binding by a professional standard adopted by the Board of the IRE-IBR of 10 November 2010, which was approved by the High Council for the Economic Professions on 15 December 2009 and by the Minister of Economy on 1 April 2010. The ISAs will be applicable:</p> <ul style="list-style-type: none"> <li>• For PIEs, for periods ending as from 15 December 2012</li> <li>• For non-PIEs, for periods ending as from 15 December 2014.</li> </ul> <p>The external quality control will be adapted in order to check the consistent application of the ISAs by the auditors, as soon as these are mandatory for the relevant audit engagements.</p>
<b>Bulgaria</b>	<p>The ISAs are made mandatory by law (The Independent Financial Audit Law).</p> <p>There is a functioning system for quality control developed by the Institute of Certified Public Accountants in Bulgaria and approved by the Commission for Public Oversight of Statutory Auditors.</p> <p>Quality control of the registered auditors’ activity includes review for compliance with the requirements of the International Standards on Auditing; review regarding compliance with ethical principles and rules, including independence rules; ascertainment of adequacy of time and human resources, used for carrying out of the audit according to its scope and complexity; ascertainment of adequacy of the auditors’ remunerations for the audit; assessment of the internal quality control system, applied by the registered auditor.</p> <p>A registered auditor is punished with a fine or a propriety sanction from Euro 1.000 to 10.000 or with deprivation from the right to carry out independent financial audit of financial statements for a two-year period if during a review or investigation, carried out by members of the Institute of Certified Public Accountants or by members of the Commission for Public Oversight of Statutory Auditors it is established that the requirements of the International Standards on Auditing and the Code of Ethics for Professional Accountants were not observed.</p>
<b>Croatia</b>	<p>According to the Audit Act and the Statute of the Croatian Audit Chamber the use of ISAs and ISQC1 is mandatory. Incorrect application of these requirements may be punished by the Chamber with the following disciplinary punishment:</p> <ul style="list-style-type: none"> <li>• Reminder</li> <li>• Reprimand</li> <li>• Fines</li> <li>• Suspension of operating license</li> <li>• Permanent revocation of operating license.</li> </ul>
<b>Cyprus</b>	<p>Clarified ISAs are mandatory by law.</p>

Country	Comment
<b>Czech Republic</b>	<p>According to the Statute of the Chamber of Auditors all ISAs issued by the IAASB are automatically adopted in the Czech Republic unless decided otherwise. Incorrect application of ISAs may be punished by the Chamber with the following disciplinary punishment:</p> <ul style="list-style-type: none"> <li>• Admonition</li> <li>• Public admonition</li> <li>• Fines</li> <li>• Temporary prohibition of performance of audit activities</li> <li>• Permanent prohibition of performance of audit activities</li> </ul>
<b>Denmark</b>	<p>It is demanded by the Danish Professional body that members use the ISAs.</p> <p>The Danish Auditors Law was changed in 2008 to accommodate the changes from the European Statutory Audit Directive (2006/43/EC) from 2006. As the Commission at that time had not yet decided how the standards should be adopted, the Danish law was made flexible so the standards can be implemented through a regulation without changing the law.</p> <p>In the motivation to the law it was written that, as the auditors associations (at the time two, FRR and FSR) are members of IFAC, they are obliged to follow the ISAs and therefore in effect, it becomes good auditor's behavior to use the standards.</p> <p>Note that in Denmark "Good auditors behavior" is actually a standard as it describes what to do – it is not merely to interpret as best practice.</p> <p>When "Revisortilsynet" performs its quality controls it will control the complete audit firm for the implementation of the ISQC1. But it will also control the individual auditors in the firm for e.g. independence, the planning of the audit, documentation, the auditor's report, the quality of the annual report, modifications and so on.</p> <p>Audit firms that audit PIE's are subject to more frequent controls.</p>
<b>Estonia</b>	<p>The Estonian Legislative Act, which regulates Estonian auditors' activities and the Auditors Activities Act of Estonia, make ISAs and other IAASB's pronouncements mandatory for all Estonian audits (the Act was approved in January 2010 with the effective date as of 8 March 2010). According to the Auditors Activities Act, the Association of Auditors shall carry out regular or special quality control (after the fixed interval, which is also reflected in the Auditors Activities Act).</p> <p>The objective of the Association of Auditors in the course of internal quality control of a professional association is to verify compliance of the control period of a person subject to quality control to the legislation regulating the sworn auditor's professional activities and the standards approved or instructions and recommendations given on the basis thereof. Thus, in the course of quality control, among the other things, it will be assessed, the compliance with the requirements provided for in the professional activities standards for sworn auditors (for instance: international standards on auditing, international standards on review services, international standards on assurance services, international standards on related services, international standards on quality control, code of ethics etc.)</p> <p>The Management Board of the Association of Auditors (hereinafter MBAA) has the right to increase the nominal frequency of quality control up to the frequency of at least once a year, if material violations are ascertained as a result of the work of the control team or disciplinary proceedings which, however, are not sufficient to make a proposal to the Ministry of Finance for the suspension or termination of an activity license.</p> <p>The violation of the requirement to comply with the professional activities standards for sworn auditors provided for in the Auditors Activities Act, is assessed as the disciplinary offences of members of the Association of Auditors. If the violation is recognized during the quality control, the Association of Auditors has an opportunity to start with disciplinary proceedings. The MBAA has the authority to impose a disciplinary penalty on a member of the Association of Auditors in disciplinary proceedings. In disciplinary proceedings the disciplinary penalties of members of the Association of Auditors are: 1) admonition; 2)</p>



Country	Comment
	<p>reprimand; 3) a fine or a fine together with referral to an additional professional examination.</p> <p>Previously described situation / actions come directly from the Act. In practice, when the MBAA detects the violation of the requirement of professional activities standards for sworn auditors, but the MBAA is convinced the violation was inadvertent, they increase the nominal frequency of quality control up to the frequency of at least once a year, to make sure all the deficiencies will be eliminated during the next year. If the MBAA recognizes that the deficiencies are not eliminated even after the next year, they have to start with the disciplinary proceedings.</p>
<b>Finland</b>	<p>In accordance with the Finnish Auditing Act (section 13) statutory audits shall be carried out in accordance with the international auditing standards adopted for application in the European Community. Until the ISAs are adopted in the EU, audits shall be carried out in compliance with good auditing practice. In accordance with the detailed rationale of the Auditing Act, good auditing practice is based on ISAs. Also the Auditing Board of the State, which is responsible for the general direction, development and oversight of auditing, has given a statement that to comply with good auditing practice means that statutory audits shall be carried out in accordance with ISAs.</p>
<b>France</b>	<p>The French auditing standards (normes d'exercice professionnel (NEP)) are endorsed by the Ministry of Justice and form part of French Code of Commerce</p>
<b>Germany</b>	<p>In Germany, the IDW has transposed the requirements and essential explanatory material of ISAs into national standards (IDW Auditing Standards) and amended these standards as necessary to address differences needed to accommodate national legal or regulatory requirements and to address matters of national professional practice. Departures from the IDW Auditing Standards at the responsibility of the individual auditor can only be made in exceptional circumstances. Any such departures must be highlighted and appropriately justified in the long-form audit report.</p> <p>Similarly the German pronouncement VO 1/2006 transposes the ISQC 1 in the national context.</p> <p>In the case of statutory audits, the application of IDW Auditing Standards and adherence to the VO1/2006 are subject to external quality assurance reviews and inspections that are overseen by the independent German Auditor Oversight Commission. These reviews and inspections differ, as follows:</p> <ul style="list-style-type: none"> <li>• Reviews apply to all firms performing statutory audits and are performed in a 6 year cycle. These are peer reviews, which concentrate on the suitability and effectiveness of the firm's internal quality control system as a whole, and its effectiveness in practice in respect of selected audit engagements. Firm's wishing to act as a peer reviewer must undergo specific training and be registered accordingly.</li> <li>• Inspections are only applicable to firms who perform statutory audits of PIEs as prescribed in German law (currently listed entities) and are performed in a 3 year cycle (annually for firms with more than 25 PIE audit clients). Inspections are performed by the German Auditor Oversight Commission taking a sample of a firm's statutory audit engagements and relevant aspects of the firm's internal quality control system.</li> </ul>
<b>Greece</b>	<p>Clarified ISAs have been adopted by law (3693/2008) and are in force since 15.12.2009. The application of ISAs is monitored by inspections performed by the Accounting and Auditing Oversight Board (AAOB).</p>

Country	Comment
Hungary	<p>The application of ISAs is monitored during the process of quality assurance review by the quality controller. If any default is experienced in the auditor's audit work, e.g. documentation of the audit is not in line with the ISAs, the result of the quality assurance review can be „passed with notice” or „failed”. Also, the quality controller has option to decide based on objective reasons to impose sanctions. Sanction can be notice and/or order the auditor for training.</p>
Ireland	<p>In the Republic of Ireland legislative requirements concerning qualifications for appointment as auditor and recognition of bodies of accountants are contained in the Companies Act 1990 as amended by the Companies (Auditing and Accounting) Act 2003. Persons must be registered with a supervisory board recognised by the 1990 Act and be eligible for appointment as auditor under the rules of the body. This Act requires bodies of accountants to have satisfactory rules and practices as to technical and other standards. The Act also empowers the Irish Auditing and Accounting Supervisory Authority to revoke or suspend recognition or authorisation of a body of accountants or individual auditor.</p> <p>The members<sup>45</sup> of the Consultative Committee of Accountancy Bodies (CCAB) have undertaken to adopt APB standards and guidance developed by APB. This is established, for example, by three of the member bodies<sup>46</sup> embedding the requirement to use the APB's auditing standards in their "Audit Regulations and Guidance" with which member auditors are required to comply. In the Republic of Ireland, accountancy bodies which are not members of the CCAB, but which are also recognised bodies for the supervision of auditors, may choose to require their members to comply with APB standards.</p> <p>Apparent failures by auditors to comply with APB standards are liable to be investigated by the relevant accountancy body. Auditors who do not comply with the auditing standards when performing company or other audits make themselves liable to regulatory action which may include the withdrawal of registration and hence of eligibility to perform company audits.</p>
Italy	<p>Clarified ISAs including the modifications mentioned in the response to Question 1 was adopted by means of an administrative provision issued by MEF.</p> <p>The external quality control carried out by MEF in case of statutory audit of non-PIEs and by Consob in case of statutory audit of PIEs, includes an assessment of compliance with the requirements of applicable standards on auditing.</p> <p><i>When the Ministry of Economy and Finance establishes a noncompliance in the performance of the statutory audit or a failure to disclose - or a late disclosure of - the information required for registration purposes, it may, depending on their seriousness:</i></p> <ul style="list-style-type: none"> <li>(a) Impose to the statutory auditor or audit firm an administrative pecuniary sanction ranging from one thousand to 150.000 Euro;</li> <li>(b) Suspend from the register, for a period not exceeding five years, the person in charge of the statutory audit to whom the noncompliance can be attributed;</li> <li>(c) Revoke one or more audit engagements;</li> <li>(d) Prohibit the statutory auditor or audit firm from accepting new audit engagements for a period not exceeding three years;</li> <li>(e) Cancel from the register the statutory auditor, the audit firm or the person in charge of the audit.</li> </ul> <p><i>When the Consob establishes a non-compliance in the performance of the statutory audit it may, depending on its seriousness:</i></p> <ul style="list-style-type: none"> <li>(a) Impose to the statutory auditor or audit firm an administrative pecuniary sanction ranging from 10 thousands to 500.000 Euro;</li> <li>(b) Revoke one or more audit engagements in respect of public interest entities;</li> </ul>

<sup>45</sup> Members of CCAB are The Institute of Chartered Accountants in England & Wales (ICAEW), The Institute of Chartered Accountants of Scotland (ICAS), Chartered Accountants Ireland (CAI), The Association of Chartered Certified Accountants (ACCA) and The Chartered Institute of Public Finance and Accountancy (CIPFA).

<sup>46</sup> 'Audit Regulations and Guidance' is issued jointly by the ICAEW, ICAS and CAI.

Country	Comment
	<p>(c) Prohibit the statutory auditor or audit firm from accepting new audit engagements in respect of public interest entities for a period not exceeding three years;</p> <p>(d) Submit to the Ministry of Economy and Finance a request for the suspension from the register, for a period not exceeding five years, of the person in charge of the audit responsible for the non-compliance;</p> <p>(e) Submit to the Ministry of Economy and Finance a request for the cancellation from the register of the audit firm or the person in charge of the audit.</p>
<b>Latvia</b>	<p>The auditor must, when carrying out an audit, comply with ISAs under the Law of the Certified Auditors of the Republic of Latvia. These disciplinary penalties can be finally caused by incorrect or incomplete application of ISAs:</p> <ul style="list-style-type: none"> <li>• Warning to the auditor of the audit firm;</li> <li>• Suspension of the auditor's certificate validity and prescription to the auditor to re-take of one or several qualification examinations not later than within 3 years;</li> <li>• Cancellation of the auditor title;</li> </ul> <p>Deprivation of the audit firm certificate and the audit firm withdrawal from the list of audit firms.</p>
<b>Lithuania</b>	<p>The auditor must, when carrying out an audit, comply with ISAs under the Law of the Republic of Lithuania on Audit. These disciplinary penalties can be finally caused by incorrect or incomplete application of ISAs:</p> <ul style="list-style-type: none"> <li>• Warning to the auditor of the audit firm;</li> <li>• Suspension of the auditor's certificate validity and prescription to the auditor to re-take of one or several qualification examinations not later than within 3 years;</li> <li>• Cancellation of the auditor title;</li> <li>• Deprivation of the audit firm certificate and the audit firm withdrawal from the list of audit firms.</li> </ul>
<b>Luxembourg</b>	<p>The law of 18 December 2009 implementing the European Commission Statutory Audit Directive (2006/43/EC) made the 'Commission de Surveillance du Secteur Financier' (CSSF) the public oversight body of the audit profession as well as the body responsible for the adoption of the auditing standards in Luxembourg. The CSSF is also responsible for the system of quality assurance and has disciplinary powers including administrative and other sanctions in case of incorrect or incomplete application of ISAs.</p>
<b>Malta</b>	<p>The Maltese Companies Act, 1995 requires the auditor's report to be drawn up in accordance with generally accepted auditing standards (GAAS). Accountancy Profession Regulation 4 (Accountancy and Auditing Standards Regulations, 2009) states that compliance with "generally accepted auditing standards" shall mean adherence to international auditing standards, with the latter term being defined in Regulation 2 as: "...International Standards on Auditing (ISA)..."</p>
<b>Netherlands</b>	<p>The ISAs are issued by the Board of the NBA in regulations that are binding for statutory audits ("Nadere voorschriften controlestandaarden"); they have the highest status in regulation from the NBA. The supervisory authority ("Autoriteit Financiële Markten (AFM)") reviews the application of the ISAs and sanctions might be the result in case of non-compliance. Disciplinary actions might also be based on court proceedings by stakeholders of statutory audits.</p>

Country	Comment
<b>Poland</b>	<p>The application of the Clarified ISAs, ISREs, ISAEs is made binding by a resolution adopted by the KIBR Council of 10 February 2015 on national standards on auditing, which was approved by the Audit Oversight Commission at the meeting on 1 April 2015.</p> <p>The International Standards will be applicable:</p> <ul style="list-style-type: none"> <li>• For PIEs, for periods ending as from 31 December 2016,</li> <li>• For non-PIEs, for periods ending as from 31 December 2017,</li> <li>• For assurance engagements other than audits or reviews of historical financial information started on or after 1 January 2017.</li> </ul> <p>The application of ISQC1 is made binding by a resolution adopted by the KIBR Council of 10 February 2015 on principles of internal quality control in an entity authorized to audit financial statements, which was approved by the Audit Oversight Commission at the meeting on 1 April 2015.</p> <p>ISQC1 is to be adapted and applied in relation to financial statements prepared for periods ending between 31 December 2016 and 31 December 2017:</p> <ul style="list-style-type: none"> <li>• For PIEs auditors, by 1 January 2016,</li> <li>• For non-PIEs auditors, by 1 January 2017.</li> </ul>
<b>Portugal</b>	<p>The national law (Audit Decree-Law) states that ISAs adopted by EU will come into force when EU Legislation defines "ISAs Adopted by EU".</p>
<b>Romania</b>	<p>ISAs application is made binding by a national law, Government Emergency Ordinance no. 75/1999 regarding financial audit, republished with subsequent amendments and completions and Government Emergency Ordinance no. 90/2008 and by the Decision of the Council of the Chamber of Financial Auditors of Romania (CAFR).</p> <p>In the process of quality control (for which the ultimate responsibility belongs to the Public Oversight Board of the Statutory Audit Activity in Romania, CSPAAS), the Chamber is in charge of conducting the quality assurance inspections. The inspection teams composed of employees of the CAFR Department of Monitoring and Professional Competence monitor and control ISA application in the course of audit services (ISAs application is a part of the control checklist used during the quality control investigations). Should the inspections teams discover that the ISAs were not used or were used inadequately or incompletely, the respective auditors or audit firms receive lower ratings, based upon which they are submitted to procedures for correction.</p>
<b>Slovak Republic</b>	<p>The application of clarified ISAs is mandatory based on Slovak Auditing Act.</p> <p>The disciplinary system is enforced by the Slovak Auditing Act and internal regulations of the Chamber.</p>
<b>Slovenia</b>	<ul style="list-style-type: none"> <li>• The application of ISAs is mandatory on the basis of the Slovenian Auditing Act.</li> <li>• The disciplinary system is enforced by the Slovenian Auditing Act. The sanctions (<i>sankcije</i> in Slovenian) are publicly available on the website of the Institute.</li> </ul>
<b>Spain</b>	<p>Adopted ISAs (NIA – ES) are currently binding in Spain.</p> <p>The disciplinary system to be applied is laid out in Articles 30 – 40 of the Spanish Audit Law. According to Article 34 on 'Serious violations', the infringement of the technical standards on Audit is considered a serious violation when it may have a significant effect on the work of the auditor and on his/her audit report, in all other cases it is considered a minor offence according to Article 35. Finally, Article 36 determines which sanctions are to be applied in each case.</p>

Country	Comment
Sweden	<p>Swedish law requires that all audits are carried out based on generally accepted auditing practice (Sw. god revisionssed) which is mainly developed in co-operation by FAR and the Oversight Board. FAR and the Oversight Board have decided that ISA should be generally accepted auditing practice in Sweden for annual periods starting 1 January 2011.</p>
UK	<p>In order to be eligible for appointment in the UK as auditors of companies, or of any of the other entities which require their auditors to be eligible for appointment as auditors under section 1212 of the Companies Act 2006, persons must be registered with a Recognised Supervisory Body (RSB) recognised under that Act and must be eligible for appointment under the rules of that RSB. The Companies Act 2006 requires RSBs to have rules and practices as to the technical standards to be applied in company audit work and the manner in which those standards are to be applied in practice. Each RSB is also required to have arrangements in place for the effective monitoring and enforcement of compliance with those standards.</p> <p>The members<sup>47</sup> of the Consultative Committee of Accountancy Bodies (CCAB) have undertaken to adopt FRC standards and guidance developed by FRC. This is established, for example, by three of the member bodies<sup>48</sup> embedding the requirement to use the FRC's auditing standards in their "Audit Regulations and Guidance" with which member auditors are required to comply. In the Republic of Ireland, accountancy bodies which are not members of the CCAB but which are also recognised bodies for the supervision of auditors may choose to require their members to comply with APB standards.</p> <p>Apparent failures by auditors to comply with FRC standards are liable to be investigated by the relevant accountancy body. Auditors who do not comply with the auditing standards when performing company or other audits make themselves liable to regulatory action which may include the withdrawal of registration and hence of eligibility to perform company audits.</p>

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## FEDERATION OF EUROPEAN ACCOUNTANTS

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