




Taiex-workshop on Quality Assurance Review Techniques
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Quality control and control assurance review in Denmark

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The Danish Commerce and Companies Agency (DCCA)

- DCCA is an Agency under The Ministry of Economic and Business Affairs.
- The legislation governing the public oversight responsibilities of DCCA on auditors and audit firms is Act no. 468 of 17 June 2008 (The Danish Act on Approved Auditors and Audit Firms* - "The Audit Act").

* The Act is available in English at http://www.eogs.dk/graphics/_ny%20eogs/English%20version/Legislation/Danish%20act%20on%20Auditors%20and%20Audit%20firms.pdf

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 DANISH COMMERCE AND COMPANIES AGENCY

The Danish Commerce and Companies Agency

is responsible for the Danish Public Oversight on auditors and audit firms which includes the supervision of:

- 1) examination as well as continuing education,
- 2) quality assurance reviews,
- 3) investigations,
- 4) disciplinary sanctions, and
- 5) co-operation and exchange of information with the competent authorities in other countries.

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 DANISH COMMERCE AND COMPANIES AGENCY


Organisation of the Danish Public Oversight on Auditors



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      DCCA[The Danish Commerce and Companies Agency (DCCA)] --- Investigations([Investigations])
      DCCA --- Education[The Auditors' Commission (Education)]
      DCCA --- DSAA[Supervisory Authority on Auditing (DSAA) (quality control)]
      DCCA --- DBA[The Disciplinary Board on Auditors (DBA) (Sanctions)]
      DCCA --> Responsibilities[Approval of auditors/withdrawal of approval  
Public register of approved auditors and audit firms  
Adoption of standards and regulations  
Exchange of information]
  
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Funding

- The Commerce and Companies Agency (DCCA) is funded by the national budget (Finansloven) and by fees imposed on all approved auditors.
- The Supervisory Authority on Auditing (DSAA), the Disciplinary Board and Investigations are only funded by fees imposed by the DCCA on all approved auditors.

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The Danish Supervisory Authority on Auditing (DSAA) - function

- DSAA carries out the quality assurance reviews of all audit firms in Denmark.
- Approximately 1,800 audit firms and 4,500 statutory auditors are subject to quality control reviews by the DSAA and they audit approximately 140,000 companies.
- DSAA has been in function since 2004.


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DSAA - members

- DSAA consist of a Chairman and 8 other members: 4 approved auditors and 4 representatives of financial statement users.
- The Chairman and the representatives of financial statement users must not be approved auditors or be employed with or run an audit firm together with approved auditors.
- The Chairman and members of the DSAA are appointed by the DCCA for a period of up to 4 years.
- The DCCA acts as secretariat for DSAA.



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Reviewers

- Quality assurance reviews are performed by practising auditors approved by the DSAA as reviewers.
- 171 auditors have been approved as reviewers, hereof 34 as PIE reviewers.
- The reviewer has to be an approved auditor participating in – and responsible for - practical audit work for at least three years within the last five years.
- The reviewer has to participate in a course on control assurance review each year.
- The DCCA may appoint other persons than auditors as reviewers (i.e. foreign civil servants).



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Frequency of reviews

- Audit firms auditing public interest entities are inspected at least every 3 year.
- There is pt. 43 PIE-audit firms in Denmark.
- Other audit firms are inspected at least every 6 year.
- The DSSA may decide that an audit firm shall be selected for extraordinary or more frequent review.



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Timetable

- The audit firms selected for quality assurance review will be informed no later than 1 March that they shall be subject to quality assurance review during the current year.
- The DSAA informs prior to 1 April the audit firm which reviewer has been appointed to review the firm.
- The quality assurance reviews take place between April and November.
- As soon as possible and no later than 15 November of the review year, the reviewer shall submit his or her assurance report to the DSAA.



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Payment

- The reviewer enter into an agreement with the DSAA for each quality assurance review, which the reviewer is appointed to carry out.
- The cost of the quality assurance review is paid by the DSAA.
- DSAA then collects this cost from the audit firm that has been reviewed.

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Scope of the quality assurance review (1)

Reviews are performed on-site in the audit firm.

The reviewer shall in particular review:

1. That the audit firm has the required quality control system.
2. That the firm's quality control system lives up to good quality control practices and that it is adequate in relation to the audit firm's size and nature.
3. That the firm has an updated list of owners and members, and that the ownership provisions in the Audit Act have been complied with.
4. That the audit firm has rules for the control of independence in general and for each assignment.
5. That the audit firm documents that the rules on independence in the Audit Act are complied with.



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Scope of the quality assurance review (2)

6. That the performance of assignments takes place in accordance with generally accepted auditing practices, including the auditing standards in place in Denmark, and that this can be documented.
7. The scope of the resources used.
8. The fees charged in regard to the assurance engagement.
9. Whether the auditors affiliated with the audit firm have received the mandatory continuing education; and
10. That the firm has prepared adequate written internal rules regarding customer identification to preclude and prevent money laundering and terrorist financing.



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Scope of the quality assurance review (3)

- Both the audit firm's quality assurance system and individual audit files are reviewed.
- The sampling of the individual audit files is based on a risk-based approach and on the nature and scope of the activities in the audit firm.
- The size of the sampling depends on the size of the audit firm to be reviewed and on the reviewer's findings during the quality assurance control.



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The reviewer's reporting to DSAA

- The quality control results in a assurance report to be send to the DSAA.
- The reports for the PIE-Audit firms are more extensive.
- The assurance report shall describe the object, type and scope of the review and provide an assessment of the results of the review.
- The assurance report shall contain a conclusion, which states whether the audit firm complies with the requirements imposed on an audit firm of that particular type and size.



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Guideline on quality assurance reviews

- DSAA has issued a Guideline on the carrying out of the quality assurance review.
- The Guideline consists of 100 pages and includes checklists.



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DSAA's follow-up (1)

- After examining the assurance report the DSAA decides whether the quality assurance review of the company gives rise to
 - 1) a conclusion of the review without further comments
 - 2) a reprimand without further follow-up until the next ordinary quality assurance review visit or
 - 3) a reprimand with a quality assurance review visit to check whether the reprimand has been complied with.



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DSAA's follow-up (2)

- The DSAA also assesses whether errors or omissions have been found in the reviewed companies and/or auditors that mean that the companies and/or the auditors should be brought before the Disciplinary Board.



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DSAA findings - 2004-2008

Conclusion without further comments	A reprimand	A reprimand with a new quality assurance review	Bringing the company and/or the auditors before the Disciplinary Board (including a new control)
75 %	7 %	12 %	6 %



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Disciplinary Board on Auditors (DDBA)

- DDBA manages the disciplinary system on auditors.
- The DDBA consist of a Chairman, who must be a judge, and minimum 12 other members: 6 approved auditors and 6 representatives of financial statement users.
- The representatives of financial statement users must not be approved auditors or be employed with or run an audit firm together with approved auditors.
- The Chairman and members of the DDBA are appointed by the DCCA, which may also appoint one or more judges as Deputy Chairmen. At least one member of the chairmanship must be a High Court judge.
- The chairmanship and members shall be appointed for a period of up to 4 years.



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DDBA - scope

- Complaints that an auditor has failed to comply with the duties of the office of auditor may be brought before the DDBA.
- The same applies to complaints about the repute of auditors and audit firms.
- Complaints about an auditor's fees and cases concerning professional loyalty and fairness cannot be brought before the Disciplinary Board on Auditors.



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DDBA - sanctions

- Individuals can be given a warning or a fine of maximum 40.000 Euros.
- Companies can be given a warning or a fine of maximum 100.000 Euros.
- The rulings of the Disciplinary Board shall be published (www.disciplinaernaevnet.dk).

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Investigations

- If the DCCA finds that there is a risk that an auditor or an audit firm has violated or will violate provisions in or in pursuance of the Audit Act, the Agency may initiate and perform an investigation aimed at detecting, correcting or preventing such a violation.
- The DCCA may also initiate an investigation if it receives a request for this from a competent foreign authority.
- Investigations are performed by DCCA employees but external assistance may be used.


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Questions?

Email: syl@eogs.dk

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Thank you

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