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Changes in the Accounting Act in 2017

Accounting & Audit Alert

Dear Readers,

On 6 June 2017, the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (hereinafter: AoSA) was published. This Act amends nearly 50 other acts and repeals the existing Act of 7 May 2009 on statutory auditors, their self-governing organisation, entities authorised to audit financial statements and public supervision.

The new Act will be of key importance primarily to statutory auditors and auditing companies, but the amended acts also include the Accounting Act (hereinafter: AA). Below are presented selected changes to the Accounting Act that we would like to draw your attention to, the more so that the changes apply to the audits of financial statements for the period beginning after 16 June 2016.

Art. 221 AoSA stipulates, for example, the following amendments to the AA:

- the scope of entities subject to the audit has been extended, regardless of their balance or achieved revenues, with the branches of credit institutions, branches of foreign banks, registered offices and branches of insurance and reinsurance companies, and branches of foreign investment enterprises;
- Article 65 of the AA is repealed, which means that the audited entities will no longer receive the audit opinion and audit report; those two documents will be replaced by the audit report referred to in Article 83 of the AoSA; thus other articles of the AA have been changed, including, for example, the ones requiring entities to submit the existing audit opinion to a relevant court register (e.g. Art. 69 of the AA provides for the obligation to submit annual financial statements together with the audit report, a copy of the resolution approving the financial statement, etc.);
- Art. 66 of the AA is amended in such a way that it provides for the obligation – in the event of a compulsory (statutory) audit – of signing an agreement with an auditing company for auditing the financial statement for a period of not less than two years, with a possible extension into further periods of at least two years;
- in Art. 66 of the AA Section 5a) has been added, prohibiting the use of contractual clauses in agreements concluded by an audited entity restricting the possibility to select auditing companies by the authority appointing an auditing company to certain categories or lists of auditing companies;
- in the notes to the financial statement, it will be required to provide the remuneration of an auditing firm for the statutory audit (a) and other assurance services (b).

Other key changes from the perspective of audited entities that will affect the relationship between an audited entity and an auditing company have been regulated in Art. 134 and 136 of the AoSA. The articles stipulate:

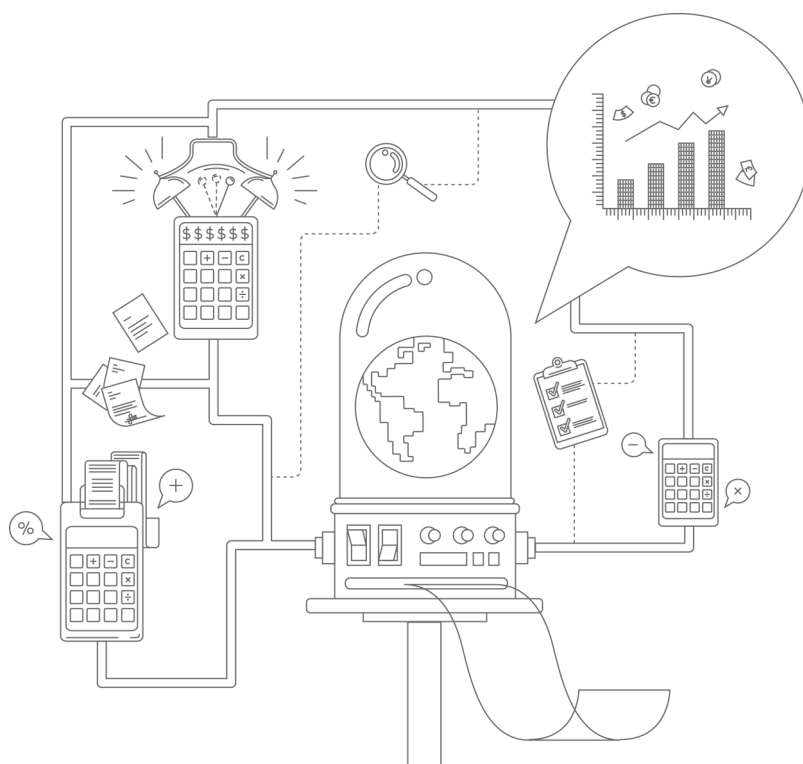
- the maximum period of an uninterrupted statutory audit of a public interest entity's financial statement by the same auditing firm or an auditing firm associated with the auditing firm or any member of the network operating in the European Union is 5 years;
- a list of services prohibited to an auditing firm towards their client being a public interest entity for whom the service of a statutory audit is performed (e.g. tax services, participation in management, bookkeeping services, services in the field of remuneration, legal services, internal audit services, etc.).

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Should you wish to discuss the above mentioned amendments in detail, feel free to contact us:

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25.07.2017

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