



AUDIT PUBLIC OVERSIGHT COUNCIL

**REPORT ON ACTIVITIES
OF THE AUDIT PUBLIC OVERSIGHT COUNCIL
IN 2013
EXECUTIVE SUMMARY**

Notes on the fifth anniversary of the Public Audit Oversight Council

It's unbelievable, but it will have been five years in May 2014 since **Public Audit Oversight Council** was established for public oversight of the audit. I had the honor and pleasure to be there. Along with five other colleagues¹ we were appointed the Members of the Board of the Public Audit Oversight Council (hereinafter referred to as the Council) by the Minister of Finance. At its first meeting the Board decided to empower me to become the President of the Council. I held this role until June 2013, when I resigned, in connection with my appointment as Prime Minister of the Czech Republic.

Our primary task in the spring of 2009 was to launch the full-fledged functioning of the Council as a newly established institution of governance. Therefore, the organizational issues were preferentially addressed at the first sessions of the Board of the Council. It was necessary to prepare and approve a statute and internal regulations draft, to arrange a range of organizational issues such as finding a suitable building for the Council headquarters, to open a bank account or to appoint somebody for the post of the Executive Secretary, etc. The first seat of the Council has been at the Ministry of Finance building in Janovského street in Prague 7 since September 1, 2009.

The establishment of the Council committees and appointment of their chairmen were next steps. Members of the Board became the Chairmen of the Committees. The crucial amount of main activities of the Council is going on in the Committee's activities. I would like to take this opportunity and thank to my colleagues from the former Board of the Council for their excellent cooperation. Thanks to their professionalism, dedication and a cooperative approach, we succeeded in a short time to build a functioning supervisory authority that ensured an independent supervision of auditors in the country at minimum cost to the taxpayer.

In November 2009, the Council representatives attended the Conference of the Chamber of Auditors of the Czech Republic for the first time. I stated here the grounds of this institution in my speech. The aim was not an effort to replace the self-governing role of the Chamber of Auditors of the Czech Republic, but the protection of the public interest through supervision and enforcement of the quality of the auditing profession. I also pointed out that the immediate future of public oversight in the Czech Republic can be found in close cooperation with the Chamber of Auditors of the Czech Republic as a self-governing body of auditors, which sufficiently proved, by its nearly twenty-year history, the ability to be the guarantor of the quality of the auditing profession. Our routine cooperation was going on in this cooperative spirit in the coming years. My thanks belong mainly to Ing. Petr Šobotník, a long-time president of the Chamber of Auditors of the Czech Republic.

The Council has been actively involved also in international cooperation from the very beginning. I mean especially active work in EGAOB (European Group of Auditor's Oversight Bodies), which is an advisory body to the European Commission, bringing together public oversight bodies in all Member States. The Chairman of the key committee of the Council - The Committee for Observance of Quality Control System and Disciplinary Procedures - became a member of the international work group EAIG (European Auditors Inspection Group). The Council successfully hosted one of its session in June 2012 in Prague.

¹ Prof. JUDr. Marie Karfíková, CSc.; prof. Ing. Libuše Müllerová, CSc.; Ing. Jiří Ficbauer, CSc., MBA; Ing. Zdeněk Liška; Ing. Radek Neužil, LL.M. a Ing. Jiří Rusnok were appointed Members of the first Board of the Audit Public Oversight Council in May 2009.

I would like to wish good health, lots of energy, lots of patience and good luck in the coming years to the Public Audit Oversight Council and therefore to all Members of the Presidium, to members and associates of the various committees as well as to the staff of the Council secretariat.

Ing. JIŘÍ RUSNOK

New tasks and challenges for the Public Audit Oversight Council.

In August 2013 I was appointed a member of the Council and I got the confidence that I was elected the President of the Council. My main goal is to let the Chamber of Auditors of the Czech Republic the greatest scope for autonomous operation and management of the profession. I am very glad that I could follow a good work of my predecessor in office - Ing. Jiří Rusnok. I really appreciate a good communication with the president of the Chamber of Auditors - Ing. Petr Šobotník.

The end of 2013 was very significant for the auditing profession in Europe because intensive negotiations at the European Commission and the European Parliament were going on throughout this period. The negotiations referred to the final form of the text of the European Directive on statutory audit, which was finally adopted by the European Parliament in April 2014.

At the end of the year we initiated an intensive cooperation with the Czech National Bank, we have increased mutual awareness and agreed to establish a work group in the area of auditing standards development in auditing financial institutions. We have delegated Ing. Jiří Ficbauer, CSC., MBA and Ing. Radek Neužil, LL.M into this work group.

As part of regular meeting of EGAOB (European Group of Auditor's Oversight Bodies) we met with the mission and work of IFIAR (The International Forum of Independent Audit Regulators). We were invited to join this important global organization and in April 2014 we were accepted as its full member.

In the future it will be important to make sure our public and investors, together with the Chamber of Auditors of the Czech Republic, that audit quality in the Czech Republic is at a high level and demands on auditing work entirely conform to the newly adopted European Directive on statutory audit.

Ing. JIŘÍ NEKOVÁŘ

INTRODUCTION

The Public Audit Oversight Council (hereinafter referred to as the "Council") was established in May 2009 in accordance with Act No. 93/2009 Coll., on auditors and amending certain laws (hereinafter referred to as the "Audit Act").

The Council is a body for public supervision of the performance of auditing activities and all statutory auditors and auditing companies are subject to it. The Council is also charged with supervising the activities of the Chamber of Auditors of the Czech Republic (hereinafter referred to as the "Chamber"). The Council is a body independent of the auditing profession. The Council's aim is to increase the credibility of the auditing profession and entities whose financial statements are audited, towards domestic and foreign investors and for the general public and state institutions. To increase transparency, comfort and above all the clients' confidence in the quality of audit services is the way how to reach the goals. Likewise, the creation of public oversight authority shall increase the security and safety of persons performing the auditing profession. Another challenge is to ensure effective cooperation between auditing activities supervisors in other countries within the European Union (hereinafter referred to as the "EU") and beyond.

THE PRESIDIUM

There were six sessions of the Presidium of the Council in 2013.

The agenda associated with the Council's activities and mission of the Council within the competence of the Council determined in the Act on Auditors was discussed at the sessions of the Presidium in 2013. The amendment of Act No. 93/2009 Coll., on auditors, was one of the main topics. The members of the Presidium, assisted by the Council committees, actively participated in preparing the amendment. The discussion on preparations for the launch of an international database of inspection findings, which the Presidium fully subscribed, was another important issue.

The chairmen of the various committees informed the Presidium on the activities performed by the Committees managed by them during the previous period, which is described in detail in the next section of this report.

There were held several meetings with foreign colleagues within the international co-operation. The Council in Prague ensured a study tour of colleagues from Albania; the Council representatives attended a meeting with supervisors from the Netherlands, Norway and Germany, where the main aim was exchanging the experience of working audit oversight. The Council also actively communicated with the World Bank; the Council participated in the project of the Center for the reform of financial reporting. The Presidium also regularly discussed outcomes of international committees of EGAOB and EAIG (European Group of Auditors' Oversight Bodies and European Audit Inspection Group); the Council is involved in their work.

The mandates of two members of the Presidium - prof. JUDr. Marie Karfíková, CSc. and Ing. Jiří Ficbauer, CSc., MBA - were finished on May 14, 2014 within the regular rotation of the members of the Presidium. The Minister of Finance in this regard, appointed both members of the Presidium for the next six-year period, starting with the date of May 15, 2013.

The election of the President of the Council has followed in accordance with the Act on Auditors. Ing. Jiří Rusnok has been elected unanimously by the members of the Presidium.

In connection with the fact that the President of the Public Audit Oversight Council Ing. Jiří Rusnok was appointed the prime minister of the Czech Republic, he resigned as a member of the Presidium of the Public Audit Oversight Council on June 25, 2013, in accordance with Section 39, paragraph (9), point c) of Act No. 93/2009 Coll. Prof. JUDr. Marie Karfíková, PhD., as a member of the Presidium, was responsible for the statutory representation of the Council, until a new President is elected.

Minister of Finance subsequently appointed Ing. Jiří Nekovář a new member of the Presidium, as of August 8, 2013. Ing. Jiří Nekovář was elected the new President of the Council on the extraordinary session of the Presidium held on August 12, 2013.

The Council filed an application for membership in IFIAR (The International Forum of Independent Audit Regulators) - the global organization of supervisors - at the end of the year. The Council confirmed the interest in active participation in international cooperation and the importance of the exchange of experience in the international context. The Council has become a member of IFIAR in March 2014.

THE COMMITTEE FOR OBSERVANCE OF QUALITY CONTROL SYSTEM AND DISCIPLINARY PROCEDURES

Chairman: Ing. Jiří Ficbauer, CSc., MBA
Vice-Chairman: prof. JUDr. Marie Karfíková, CSc.
Members: JUDr. Stanislav Kadečka, Ph. D.
JUDr. Alena Kohoutková
Ing. Ivo Středa
Ing. Pavel Uminský
JUDr. Dalibor Vaigert

The supervisory activities implemented by the Committee for the quality control at selected audit entities

The total number of the quality controls of auditors and auditing companies has reached 38, since the start of the Public Audit Oversight Council by the end of 2013, of which:

- 19 controls according to an appropriate work plan;
- 5 controls based on the complaints arising from the reports of the mass media;
- 13 controls based on the complaints filed by RVDA; and
- 1 control upon notification of completion of the audit.

The total market share of the auditing entities on the auditing services market, which were supervised by controlling the quality of their work, presents:

- In 2010 1.25%;
- In 2011 13.71%;
- In 2012 32.55%; and
- In 2013 37.87%.

The above statistical data should be completed by the fact that the Committee initially focuses on supervising the quality control of large and medium-sized auditing companies and auditors performing auditing work for public interest entities and those auditors performing auditing work for major industries affecting the interests of the wider range of users (e.g. health, production and distribution of energy of all kinds, travel agencies, etc.). But the Committee must also deal with complaints regarding the quality of auditors and auditing companies. Nevertheless, the above data clearly show that supervision is primarily focused on the activities of large auditing companies whose activities significantly affect the public interest. This finding is not only about the Big Four Companies, which hold about 57% market share of the auditing market in the Czech Republic but also other large auditing companies, which hold about 15 to 16 % of this market. The number of the above mentioned supervisions carried over the quality control covered the auditing work in a range of more than 85% of the total market for auditing services in the Czech Republic.

Resolution of appeals against decisions of the Chamber in the years of 2009-2013

APOC dealt with a total of 52 appeals in those years, of which:

- 1 appeal against the finding of the Chamber;
- 49 appeals against the decision of the Disciplinary Committee of the Chamber;
- 1 appeal against the decision of the Office of the Chamber; and
- 1 appeal against the decision of the Executive Committee of the Chamber.

In the case of an appeal against the decision of the Disciplinary Committee of the Chamber:

- 38 cases were penalties for poor performance of auditors and auditing companies work;
- 6 cases were penalties for non-fulfillment of continuous professional education;
- 4 cases were sanctions for lack of cooperation of the auditor; and
- 1 case was the penalty for violation of auditor's independence.

Termination of contractual relations on the statutory audit in the years of 2009-2013

The number of pending termination of contractual relations for the periods indicated reached 24 cases, of which 14 were on notice of the auditors, respectively auditing companies, and 10 cases were on the notification of the entity.

In the case of notifications submitted by the auditors:

- 7 cases dealt with the termination of the collaboration with the entity by the mutual agreement; and
- 7 cases dealt with the termination of cooperation by the dismissal of the auditor, or the auditing company.

In the case of complaints lodged by entities:

- 7 cases dealt with the dismissal of the entity;
- 2 cases dealt with the termination of cooperation with the auditor, or the auditing company by the mutual agreement; and
- 1 case of dealt with the termination of cooperation based on the expiry of the contractually agreed period of implementation of auditing work.

Solving complaints on auditors and auditing companies in the years of 2009-2013

APOC dealt with a total of 20 complaints on auditors and auditing companies during those years, of which:

- 19 complaints have already been concluded by APOC decision;
- 1 complaint is not finished yet; and
- 1 complaint was outside the competence of the APOC.

Solving the complaints on auditors and auditing companies arising from the mass media in the years of 2009-2013

Number of resolved complaints on auditors and auditing companies on the basis of reports from the mass media reached a total of three cases.

Working within EAIG (European Audit Inspection Group)

There are regularly held 3-4 meetings within the EAIG; their organization and specific content is provided by a steering group composed of representatives of Germany, France, Great Britain, Norway and the Netherlands. The basic mission is to exchange experiences with the oversight of quality control which is implemented not only by giving information at the meetings, by also by the establishment of a common database of inspection findings with the access right for authorized persons, while strictly observing the principle of confidentiality. In addition, EAIG comments on the proposed modifications and changes to ISA and cooperation with supervisors outside the EU Member States, in particular the PCAOB. The EAIG members currently cooperate on a single methodology for carrying out quality controls of auditors performing auditing services for public interest entities. Work groups composed of representatives of selected EU Member States are involved in the preparation of this methodology. In addition, a debate with IAASB continues regarding modifications to the audit reports, disclosure and work plans of IAASB and IESBA.

COMMITTEE FOR COORDINATION OF EDUCATION AND PROFESSIONAL EXAMINATIONS

Chairman: prof. Ing. Evžen Kočenda, Ph. D.

Members: prof. Ing. Bohumil Král, CSc.

prof. Ing. Libuše Müllerová, CSc.

Ing. Jiří Pelák, Ph. D.

Ing. Jana Skálová

The following activities were included in the work of the Committee in 2013:

Appeals against decisions of the Chamber of Auditors concerning various aspects of audit training, examinations and profession

Supervision over the content and process of preparatory courses for the Auditor examination

Supervision over the course of components of auditing examinations

Continuous professional development of auditors

The Committee addressed several appeals during the year.

The first appeal was against the imposition of disciplinary measures in respect of non-compliance with the stated number of hours of participation in continuous professional education. The Committee considered the appeal and returned to the Chamber for reconsideration. The main reasons were the following: Although the Chamber's decision was based on the actual non-compliance with ongoing continuing education, the Chamber stated all the reasons to allow assessment of the different level of sanctions at the same time. The Committee also took into account (i) the extraordinary cooperation of the auditor in the completion of the missing participation in continuous professional education and (ii) her previous communication that she leaves on the maternity leave. These facts, however, were not taken into account by the Chamber, in the opinion of the members of the Committee. The Chamber reconsidered its decision and the appeal was resolved satisfactorily.

In addition, the Committee addressed the candidates appeal against the decision of the Chamber on the test results in the subject of Business Law. The Committee studied the questions, answers and test results in the subject of Business Law. The Committee compared the submitted materials to the requirements for the sub-section audit tests of the Chamber. The Committee also reviewed the formal requirements for the appeal and dealt with it despite the fact that this appeal was unfulfilling formalities and other characters of the appeal. The Committee concluded that the test result is insufficient. For this reason, the Committee confirmed the decision of the Chamber.

The Committee also dealt with an appeal against the decision of the Chamber not to enter the candidate on the List of Auditors; this decision was associated with performing partial audit tests. The Committee studied all available materials and reviewed all the contentions of the appellant separately and in their mutual relations. The Committee concluded that the appeal does not indicate any circumstances under which it would be possible to rectify it, especially in the factual claims area. The Committee therefore concluded that the decision of the Chamber is in accordance with Act No. 93/2009 Coll., on auditors. For these reasons, the Committee confirmed the decision of the Chamber.

Checking the content and the course of preparatory courses for the test of the auditor were conducted in five subjects under the supervision of members of the Committee and in terms that are chronologically listed in parentheses. The Committee reviewed both the contents of courses in relation to the requirements for the auditor's professional profile and also the binding of the course content to a sub-part of the auditor's examination. In addition, the Committee had a response from the graduates of the course. These included the following courses.

Consolidation and business combinations. The last inspection of the course took place in 2010 and based on its recommendations the tutors were replaced. The lectures are currently conducted by three specialists who are very good. A comprehensive evaluation of the course was very good. The structure of the preparatory course matched the structure of the syllabus; the materials were prepared very well. The Committee therefore only recommended improving materials for an updated list of references.

Within the conceptual improvement of supervision over the content of the preparatory courses for the auditor's examination, the Committee initiated the distribution of conceptually diverse subject of Information Technology and Statistics into two separate courses in 2012. After approval of the draft by the Presidium of the Council, the Chamber has included in its education system. In 2013, there was a control executed for the two new courses. **The Statistics and Information Technology.** The contents of the courses are the same as those of the original course before its distribution. The distribution of the course and the exam caused thematic improvement of the courses and facilitated the recognition of individual exams. The lecturers of the two courses are the same as in the past, and the high quality of teaching has not changed. The Committee found both courses are well run and had only the following two recommendations. The course on Statistics is designed in accordance with international standards, but the Committee recommended the issue of statistics to be more focused on auditing questions. The Committee also recommended updating a list of references for this course.

In 2012, the Chamber split course Financial Accounting, so that the differences between the accounting units of manufacturing enterprises and trading companies (Financial Accounting I) and non-profit organizations and organizations of the public administration and financial institutions (Financial Accounting II) is taken into account. The Chamber incorporated the division into its education system and so two new courses were inspected separately in 2013: **Financial Accounting II** and **Financial Accounting I**. The course of Financial Accounting II was evaluated as a well-run and managed and the Committee felt no need to give special recommendations. The course of Financial Accounting I was also assessed as very successful and was attended by a large number of applicants. The Committee recommended only minor adjustments, to divide the list of references to the obligatory and recommended parts, and further extend the base materials with a brief explanation and examples from the "Equity" area.

In connection with the supervision of the content and process of preparatory courses for the auditor exam in 2012, the Committee initiated the reports on the sight over the course of training include specific elements of recommendation and were provided to the Chamber. The Committee was pleased to note that this type of feedback in 2013 proved entirely satisfactory, since the Chamber constructively responded to the recommendations of the Committee, so as to improve the content and ensuring the courses and exams.

In the course of supervision over the components of the audit exam, the Committee evaluated the five sub-parts of the auditor examination (Consolidation and business combinations, Statistics, Information Technology, Financial Accounting I and Financial Accounting II), held in connection with the above preparatory courses. Members of the Committee, who judged the test, measured the intensity of the content of the tests and the time allocation for their elaboration. They stated that in all cases the content of the exam matches requirements for the sub-part of the auditor exam and the time allocation corresponds to the intensity of the elaboration. Furthermore, the link between the preparation course for the auditor examination and the test assignment was considered, and no deficiencies were found. The Committee in its recommendations to the Chamber made the following suggestions in order to improve the content of examinations, their ensuring and examination system generally. It was noted with pleasure for the examination on the Consolidation and business combinations that the test went much better than at the previous inspection. The Committee recommended the personnel strengthening of the test, i.e. particularly for external examining and assignment. The issue of the audit should be strengthened in the test on Statistics.

In 2012, the Committee presented a comprehensive document "Basic principles of continuous professional development of auditors" to the Presidium of the Council. The document dealt with a comparison of multinational requirements for continuing professional development to the requirements with the Act on Auditors and the internal regulation of the Chamber for continuing professional education. The Chamber in 2013 adopted the recommendations arising from the document and incorporated it into its internal regulation for continuous professional development that is so updated in accordance with international standards.

The Committee in 2013 conducted its own investigation in the area of infringement of continuing professional education (KPV) in 2010-2012. Based on the evidence of the Chamber and its own investigation, the Committee noted that there was an improvement in submission of the records on KPV by auditors mainly due to the proactive approach of the Chamber staff. Although a number of earlier defaulters meet the duty in the additional or extended term, in 2012 the number of auditors was reduced, who failed to submit their registration record on KPV. The Committee also monitored the list of penalties for serious non-compliance with the mandatory number of KPV hours. The Committee will continue to monitor the issue of KPV in 2014.

COMMITTEE FOR COOPERATION AND COORDINATION OF AUDIT

Chairman: Ing. Radek Neužil, LL. M.
Members: JUDr. Jan Bárta
Ing. Petr Kříž
Ing. Jiří Nekovář
Mgr. Zdeněk Nový, Ph. D., LL. M.
Ing. Petr Šobotník

The activities of the Committee for cooperation and coordination of audit in 2013 involved several key areas.

The first area was a communication regarding the amendment of the Act on Auditors. The draft of the Ministry of Finance, which has been repeatedly discussed, is the time of processing the text in the Council and for which the Council prepared specific comments with the support of the Committee, was adopted by the government of the Czech Republic in May 2013. The amended Act introduced several important changes with regard to the activities of the Council. The Council is obliged, according to the draft, to set up a Disciplinary Committee which was a body of the Council and whose jurisdiction would include decisions at first instance on penalties for administrative offenses of the Chamber of Auditors, and the persons who lost the privileges to make audits, but they still committed contraventions of the Act on auditor and quality inspector in breach of certain conditions listed in the law, for example in relation to conflicts of interest. The bill further refined the position of quality inspectors and their powers and it introduced new powers to the Council in the area of investigation of the auditor and of the Chamber, which were directed to clear the competence of the Council to apply for the relevant information within the public oversight and thus, for example, to decide faster on initiating the quality control providing. In connection with the amendment of the Act also the issue of cooperation with the PCAOB (Public Company Accounting Oversight Board) was discussed; and also the issue on allowing the implementation of joint inspections with supervisory authorities from the third countries which could be possible under the authority of the Council because of the newly proposed provisions on joint inspections. It is all possible only under the condition of acceptance of the relevant joint working arrangements based on reciprocity, including reciprocity agreements on the protection of personal data so that all legal requirements are met. The negotiations with the Office for Personal Data Protection was started in this regard, which confirmed the general agreement on cooperation, but with reference to the need to comply with the conditions set by Act No. 101/2000 Coll., on the protection of personal data.

The Committee regularly discussed the current situation surrounding the European legislation concerning the regulation of the audit profession, both in the development of the draft of the amendment to the Statutory Audit Directive and new Regulation governing the regulation of audits of public interest entities. As for the parts touching the settings oversight of the audit profession, the Committee took a similar view, as other relevant institutions in the Czech Republic and its conclusion is expressed so that refuses to downshift of the supervisory authorities under the structure of ESMA and supports independent supervisory coordination and cooperation, which would come out of the existing structures of EGAOB (European Group of Auditors' Oversight Bodies), while the newly proposed structure had not a supervisory position in relation to the national supervises, but its role

would lay in coordination, exchange of experiences and recommendations in the form of the "best practice". The Committee continuously monitors the development of drafts for amendments to the Directive and the Regulation, although it perceived the drafts positively in some cases, in many cases it did not, for example, drastic changes in the absolute suppression of the professional autonomy. The consensus of Representatives, representing the institutions involved in the regulation of audit in the Czech Republic very often occurred in the Committee.

The Committee, among other activities also dealt with the content of the draft report of the World Bank of ROSC (Report on the Observance of Standards and Codes for the Czech Republic), which among other concerns the situation in the field of audit regulation and oversight on the auditing profession. This report was a part of a project funded by the Swiss aid in the program of the assistance in the area of financial reporting, administered by the Centre for Financial Reporting Reform of the World Bank. There were no objections made to the general concept of the contents of the report by the Committee, however, the Committee expressed some comments to the partial inaccuracies in some detail of the evaluations.

Following topics were also discussed by the Committee: the changes in the internal regulations of the Chamber of Auditors, which were the subject of discussions of the Chamber Assembly. The Committee members also participated in the implementation of the study tour of the delegation from Albania to the Czech Republic. Representatives of the supervisory authority, the profession and the administration from Albania have attended the study tour, which was under the content patronage of the Council. The points discussed in the Committee also included a discussion on the scope of the definition of public interest entities and the possible changes that would take into account the situation in the Czech Republic. A wider discussion is needed, especially to align any change with the international context and adjusting the accounting rules.

Unfortunately, in connection with a political crisis the Parliament was dissolute and new elections took place, which also meant the end of the consideration of draft amendments to the Act on Auditors, which ended before the first reading in the Parliament. The draft remained pending. The standard way of new legislative process will follow most likely. Due to the resulting condition of the discussed document, the Committee members supported the efforts of the maximum acceleration of the process of passing the bill.

Within the international cooperation, the Committee was informed about the meetings of the Advisory Committee of EGAOB (European Commission's European Group of Auditors' Oversight Bodies), which are regularly held in Brussels. In addition to the information about current European Union legislation, evaluation of supervision in the third countries and cooperation with supervisors outside the European Union, in particular with the PCAOB (Public Company Accounting Oversight Board) from the United States America, also the exchange of experience in audit regulation and oversight activities were regularly provided. From the side of PCAOB there is an effort on the conclusion of the maximum number of bilateral agreements with individual countries in Europe, but it is desirable to proceed in parallel uniformly across Europe and in this respect it is necessary to continue to monitor developments in this area.

The official meeting of the Chairman of the Committee and the President of the Council with representatives of IFIAR (The International Forum of Independent Audit Regulators) was held in Brussels. The negotiations finally resulted in the application for membership in this global organization of supervisors. The Committee unanimously agreed to support the adoption of the Council to IFIAR and the recommendations to the Presidium of the Council was formulated in this sense. IFIAR was founded in 2006 with the main objectives of the operation based on the exchange of knowledge and practical experience in audit regulation, supervision and quality control. The exchange of information with the third parties interested in the activities of auditors, among others with representatives of global networks of auditing companies, representatives of other regulators and the financial markets or, for example, communication with the European Commission are integral parts of the activities. The participation in the IFIAR workshops targeted to the implementation of quality control methodology has also relevance for the work of the Council. Germany, Austria, Poland and Slovakia are members of this organization. The involvement of the Council is therefore a logical step to even greater international exchange of experience in audit oversight.

THE CONTROL COMMITTEE

Chairman: Ing. Zdeněk Liška

The member: Ing. Ludmila Nutilová

The Control Committee continuously monitored and controlled the management of the Council during the year. In May, it provided a control of bookkeeping and spending costs in accordance with Section 39, paragraph 13 of Act No. 93/2009 Coll., on auditors, with the participation of all members of the Committee, Secretary of the Council and external accounting manager. Internal Council documents, document inventory of the cash, received invoices and the bank have been inspected to verification the above. The Control Committee acts based on Act No. 93/2009 Coll., on auditors, Act No. 563/1991 Coll., on accounting, the Statute of the Council of June 1, 2009, the Report on activities of the Council in 2012 and presented financial statements and documents.

No defects in the recording have been found for all checked items and documents; the documents meet the requirements.

Formal and substantive testing of the Control Committee led to the conclusion that the Council met its legal obligations in full in terms of time and material. Whilst the Council presents only a statement (as an organization created "based on the law"), the accounting are kept the same as accounting of a non-profit organization. This gives a sufficient overview of documenting the activities of the Council.

This executive summary of the Report on the activities of the Public Audit Oversight Council was prepared and issued in accordance with Law No. 93/2009 Coll., on auditors, Section 38, paragraph 3, as a report on the public audit oversight in the Czech Republic in 2013.

Ing. Jiří Nekovář
The President of the Council

In Prague, in April 2014