HAASOB

ANNUAL REPORT

HELLENIC ACCOUNTING AND AUDITING STANDARDS OVERSIGHT BOARD (HAASOB)

2015

Contents

CHAIRMAN’s PROLOGUE

I am honored and pleased to present the first annual report of the Hellenic Accounting and Auditing Standards Oversight Board (HAASOB) for year 2015.

The annual report includes the Oversight’s Board operational framework along with its main activities related to the supervision of the quality of statutory audits performed by statutory auditors and audit firms within the responsibility of the Quality Control Board as well as matters related to accounting standards, within the responsibility of the Accounting Standards Board.

Emphasis is given to the presentation of the findings that have emerged from the quality inspections carried out by the Quality Control Board, which contribute to improving the quality of audits.

In all cases, the HAASOB should exercise its supervisory/oversight authority in a way that provides the guarantees for a fair, impartial and objective judgment.

Reference is also made to HAASOB’s international activities, both at a European and international level, as the effective exercise of the Board's tasks is tightly intertwined with its active participation in the international developments in the fields of accounting and auditing.

2015 was the year of the transposition into our national law of the new regulatory framework imposed by the EU regarding the audit of the financial statements of public interest entities, thereby enhancing the confidence of investors, safeguarding the independence of auditors, promoting better corporate governance framework and greater transparency in the issuance of financial statements.

I firmly believe, regardless of the changes that the implementation of new Directive and Regulation will bring, that the HAASOB will undoubtedly continue to play a crucial role in improving the quality of the audit and accounting profession.

Professor George Venieris
Chairman

PART 1: THE HELLENIC ACCOUNTING AND AUDITING STANDARDS OVERSIGHT BOARD (HAASOB)

1.1 Objectives and competence

The Hellenic Accounting and Auditing Standards Oversight Board (HAASOB) is the national supervisory authority of the accounting and audit profession aiming to establish and supervise the correct and effective implementation of accounting and auditing standards.
The HAASOB'S authority results from the relative legislative framework and is oriented to act exclusively in the public interest. The HAASOB is a state authority, which benefits administrative and financial autonomy and is supervised by the Minister of Finance. The HAASOB'S operational expenses do not burden the state budget, and its income resources are contributions paid by the regulated entities. The annual budget and annual report of the HAASOB is submitted by its Board of Directors for approval to the Minister of Finance. The HAASOB's purpose is to enhance the transparency of the operation of businesses and strengthen the investors' trust, to apply of accounting standards and ensure the quality of audit services. The following are the main three areas under the HAASOB's authority:

Audit profession: The HAASOB supervises statutory auditors and audit firms. It is the authority responsible for granting and recalling professional licenses for statutory auditors and audit firms. The HAASOB is responsible for setting the legal framework for granting and maintaining professional license and responsible for the Public Register of statutory auditors and audit firms, which have been granted a professional license. The HAASOB is also responsible to interpret and specify the requirements of the legislation governing the conduct of auditing. Finally, through the Professional Examination Committee, the HAASOB oversights all aspects of the exercise of the audit profession, as professional examinations, practical training and the granting of professional licenses.

Quality of Audits: The HAASOB supervises the quality of statutory audits performed by the statutory auditors and audit firms. For this purpose, quality inspections are carried out on the audits performed by statutory auditors and audit firms. Furthermore, as to the infringements of law and regulatory framework governing the work of statutory auditors and audit firms, the HAASOB has the authority to impose sanctions such as recommendation, reprimand, fining, temporary and permanent recall of professional licenses and deletion from the Public Register of statutory auditors and audit firms.

Accounting and auditing standards and practices: The HAASOB establishes and oversights the implementation of accounting and auditing standards, ensuring compliance of statutory auditors and audit firms with international auditing standards and the Code of Ethics of the International Federation of Accountants (International Federation of Accountants - IFAC).
The HAASOB, recommending the adoption of accounting and auditing standards for the Greek territory, operates as an advisor to the Minister Finance.
Additionally, as the national oversight authority, the HAASOB enters into agreements with other regulatory authorities in the spirit of cooperation and the performance of its functions.

1.2 Governance and staff

The Board of Directors, appointed by the Minister of Finance, consists of the Chairman, two Deputy Chairmen and four other members proposed by the Bank of Greece, the Capital Market Commission, the Hellenic Federation of Enterprises and the Federation of Industries of Northern Greece, one member from each institution.

The Board of Directors of the HAASOB appointed on 22.08.2014 is as follows:

Chairman: Professor George Venieris

Deputy Chairman A: Panagiotis Giannopoulos

Deputy Chairman B: Athanasios Kontogeorgis

Members:
Dionysios Christopoulos (representative of the Bank of Greece),
Xenophon Avlonitis (representative of the Capital Market Commission),
Christos Diamantopoulos (representative of the Federation of Industries of Northern Greece),
Kostas Sfakakis (representative of the Hellenic Federation of Enterprises).

Executive Committee:
The Executive Committee is responsible for operating the administrative and financial activities of the HAASOB and the general organization and operation of the Board of Directors.

Quality Control Board:
The Quality Control Board is the competent body of the HAASOB for the oversight of the audit profession. Its aim is to ensure the quality of audit services provided by statutory auditors and audit firms.

The Quality Control Board's responsibilities are:

• to carry out quality inspections on persons referred to in paragraphs 2-8 of Article 2 of Law 3693/2008 (National Gazette A 174),
• to prepare recommendations to the persons referred to in par. 2-8 of Article 2 of Law 3693/2008 (National Gazette A 174) as a result of quality inspections,
• to conduct investigations in order to ascertain any infringements of the law and the regulatory framework governing the work of auditors including HAASOB's regulatory acts, the valid Code of Ethics, the auditing standards or quality assurance standards either ex officio or following a written complaint,
• to prepare recommendations to the HAASOB's Board of Directors as a result of carrying out quality inspections of the above case,
• to conduct inspections relating to the enforcement of disciplinary sanctions and exercise of supervision over the HAASOB'S Accounting and Auditing Issues, Department when it is conducting the aforementioned inspections,
• to prepare general proposals concerning auditing and quality inspections issues and investigation of disciplinary violations to HAASOB's Board of Directors.
• any other issue that concerns the exercise of quality inspections over the audit work, and the investigation of cases to detect possible disciplinary violations.

The Quality Control Board is a five-member body appointed for three years. Its current members and their substitutes, appointed by the HAASOB's Board of Directors, are the following:

- Panagiotis Giannopoulos, HAASOB'S Deputy Chair A, as Chair.
- Ioannis Filos, Associate Professor of Accounting and Auditing at the Public Administration Department of Panteion University, as a member, substituted by Konstantinos Karamanis, Associate Professor of Accounting of the Economic University of Athens.
- Nikolaos Papadimos, auditor at the Capital Market Commission, as a member, substituted by Panagiotis Ioannou, auditor of the of the Capital Market Commission.
- Dimitrios Paraskevopoulos, retired statutory auditor, as a member, substituted by Charalambos Stathakis, retired statutory auditor.
- Aggeliki Samara, expert on accounting and auditing matters, as a member, substituted by George Iatridis, Associate Professor of Accounting and Finance at the University of Thessaly Department of Economics.

Accounting Standards Board:

The Accounting Standards Board issues legal opinions on accounting standardization issues and is responsible for the following:
a) Setting up, reviewing and/or modifying the valid Charts of Accounts, aiming to adapting them to developments in science and practice.
b) The manner, the time and the procedure of general or upon case mandatory application of International Accounting Standards by economic entities or by categories of economic entities.
c) The adoption of Directives concerning the implementation of the relevant applicable Charts of Accounts and International Accounting Standards.
The Accounting Standards Board is a five-member body appointed for three years. Its current members, appointed by the HAASOB's Board of Directors, are the following:

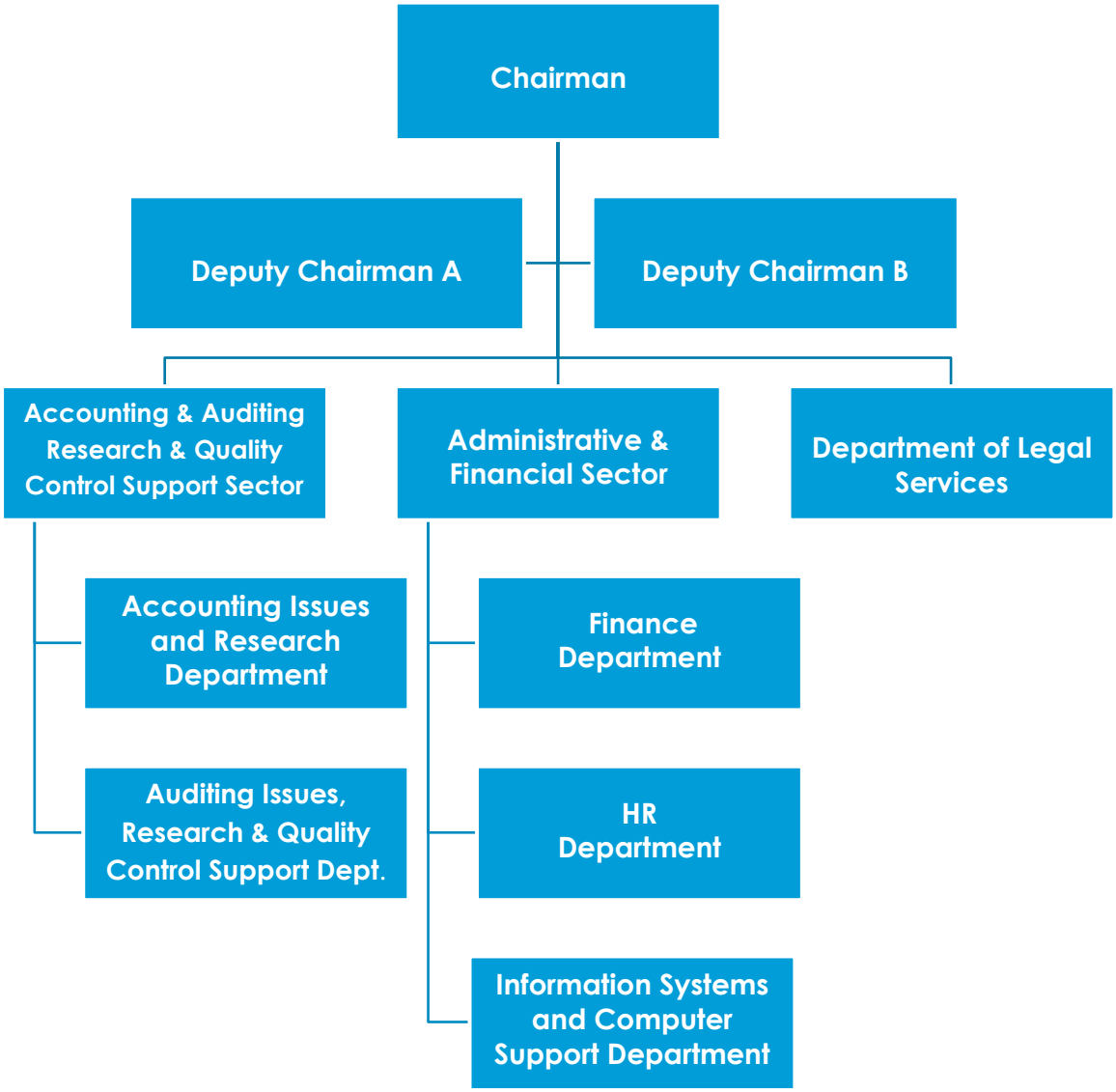
- Athanasios Kontogeorgis, HAASOB'S Deputy Chair B, as Chair.
- Konstantinos Karamanis, Associate Professor of Accounting of the Economic University, as a member.
- Panagiotis Vroustouris, Statutory Auditor, as a member.
- Sandra Koen, Associate Professor of Accounting of the Economic University of Athens, as a member.
- Dimitrios Gounopoulos, Associate Professor of the University of Sussex, as a member.

Disciplinary Board

The HAASOB's Disciplinary Board is the body responsible for ascertaining violations of the law and the regulatory framework governing the work of auditors, including HAASOB's regulatory acts, the valid Code of Ethics, the auditing standards or quality assurance standards, along with the cases of non-compliance with the recommendations made by the HAASOB'S Quality Control Board, as a result of the quality inspections. It consists of the HAASOB'S seven-member Board of Directors along with two members of the State Legal Council, defined by its Plenary Session and the decisions are taken by a simple majority, provided that the conditions of quorum and lawful composition of the Board are met. Two reeves, serving the State Legal Council of the Ministry of Finance, were appointed members of the HAASOB's Disciplinary Board.

Organizational structure

The HAASOB's organizational structure is defined by Law 3148/2003, and by the Presidential Decree 4/2009. The 2015 structure of the HAASOB is shown in the following chart:



PART 2: OVERVIEW OF THE HAASOB'S 2015 ACTIVITIES

2.1 Inspections System

The HAASOB has structured the framework and the quality inspections program aiming to protect the public interest. This procedure is based on specific criteria that concern both the frequency and the methodology of selecting the audited entities.

As to the frequency of conducting quality inspections, the selection criteria for audit firms and / or statutory auditors as defined by Article 39 of Law 3693/2008 are the following:

- ✓ At least every three years for audited entities that perform statutory audits on public interest entities (PIES) and
- ✓ At least every six years, for inspected firms and CPAs that do not perform statutory audits on public interest entities (non PIES).

As to the selection criteria of each engagement file, the HAASOB takes the following parameters under consideration:

1) The degree of risk concentration for the public interest in an inspected firm. To estimate the concentration of risk the number and /or capitalization of public interest entities that the inspected firm audits is taken into account.

2) The degree of risk concentration for the public interest, depending on the market conditions and the entities of public interest that the inspected firm audits.

3) The potential of setting the independence of the entity audited at stake because of possible concentration of the income resources of the audited entities to a limited number.

4) Critical accounting and auditing issues.

5) Violations and findings of the inspections noted that the HAASOB has already performed in the past.

6) Recommendations and suggestions to audit firms and statutory auditors after inspections that HAASOB has already performed.

7)Allegations and reports that have been submitted to the HAASOB.

8) Preliminary investigations ordered by prosecutors and judicial authorities.

9) Cases of abnormally low fees, observed from the submitted information in relation to the size of the audited entities.

Quality inspections contain:

a) The assessment of the planning of the internal inspections system that the inspected firm is required to maintain, in accordance with Article 24 par. 2 of Law. 3693/2008 and the International Standard on Quality Control 1 (ISQC-1) and the control of effective compliance.

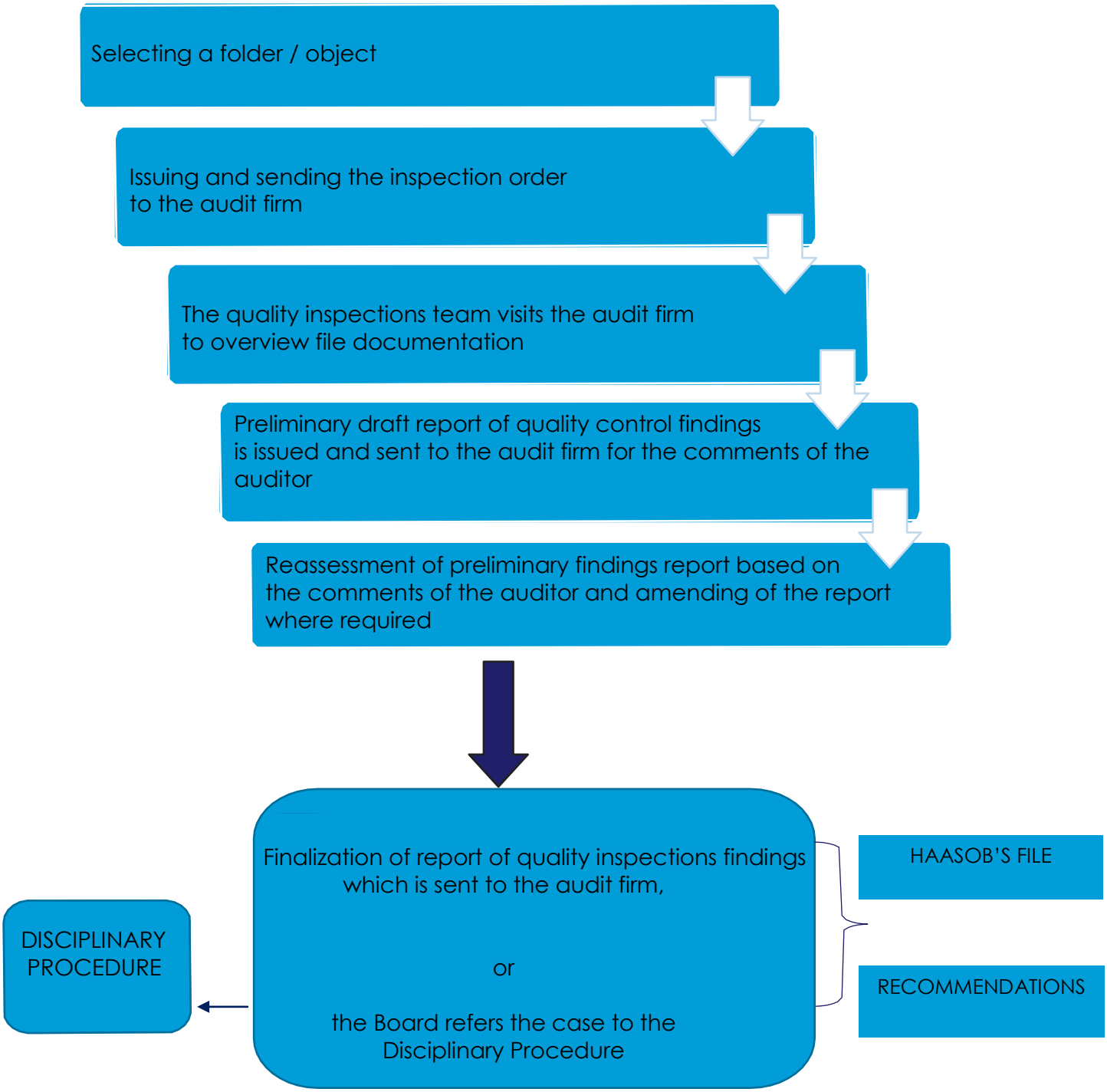
b) The evaluation of the audit work of the statutory auditors that the inspected firm undertakes, in accordance with the applicable auditing standards and legislation.

c) The evaluation of the content of the latest Transparency Report, which the inspected firm has published in connection with the information specified in article 36 of Law 3693/2008 as regards the minimum content of the Transparency Report.

d) In addition to the above, the content of inspections can also be to evaluate the adequacy of the measures and procedures, that the statutory auditors and audit firms have adopted on the basis of Anti-Money Laundering, Counter-Terrorist Financing, in accordance with the provisions of the existent legislation and no. 004/2009 Regulatory Act of HAASOB, as applicable.

The HAASOB performed quality inspections consistently according to an analytical inspections program applicable to all audit firms in compliance with specific inspections procedures as shown in the following figure:

INSPECTIONS PROCEDURE



In this context, the quality inspections of 2015 focused particularly on the quality assurance systems (the International Standard on Quality Control 1 (ISQC-1) followed by audit firms. The audit firms are required to maintain quality assurance systems, in accordance with the provisions of the International Standard on Quality Control 1 (ISQC-1). The quality assurance systems were assessed by the HAASOB, in terms of planning and implementation. The policies and procedures of the audit firms were examined regarding the following issues:

- The governance of audit firms

- The independence and principles of professional ethics

- The human resources management and development

- The acceptance and retention of the audited entities

- The execution of the audit engagement

- The internal evaluation of the quality assurance system

The above issues were considered to be of crucial importance in ensuring the quality of inspections.

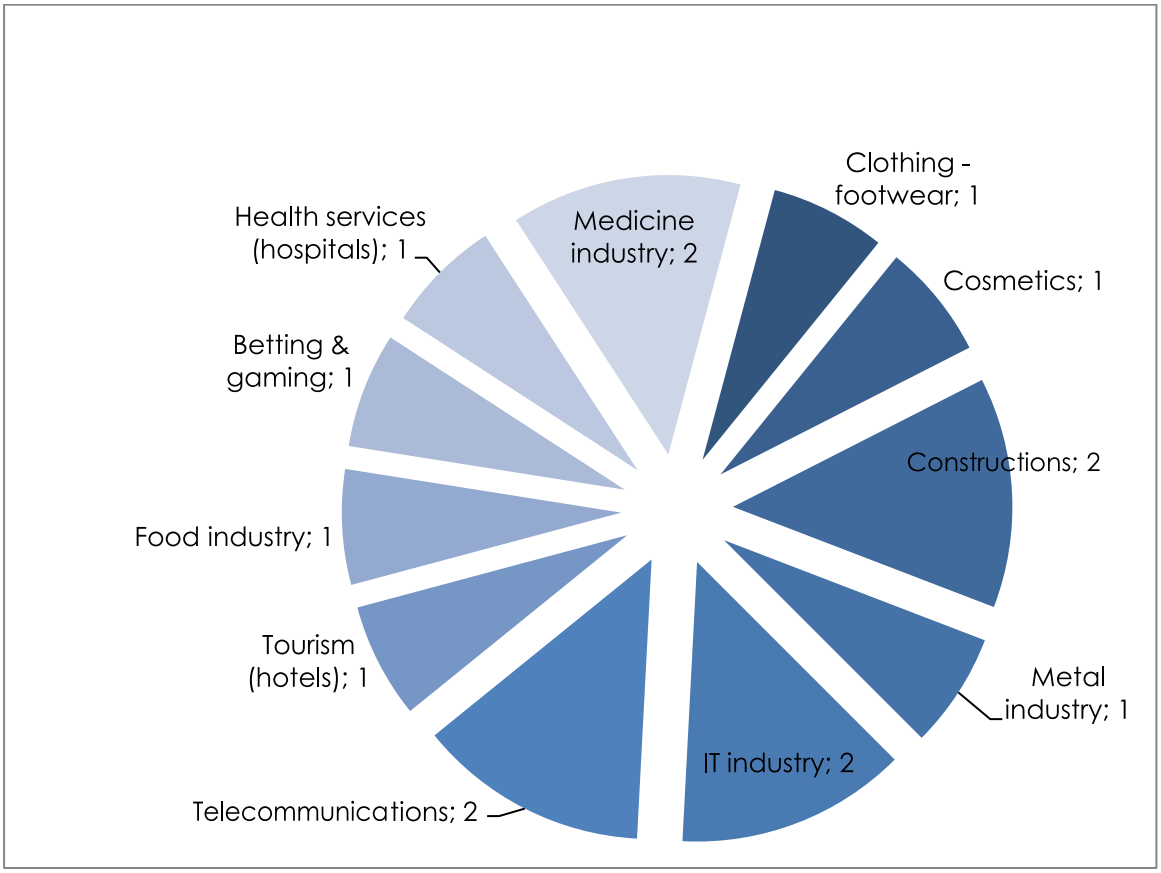
In the year 2015, 23 quality inspections were performed in 13 audit firms. Also, the Quality Control Board conducted quality inspections on 117 audit reports issued by statutory auditors for public hospitals.

Fifteen (15) quality inspections concerned the financial statements of an equal number of entities, namely a full review of the audit documentation and the remaining eight (8) the International Standard on Quality Control 1 (ISQC-1), namely the review and inspection of compliance with the relative procedures and policies of the audit firms and monitoring of the compliance with the recommendations set out in the findings reports of previous inspections of the HAASOB. The inspections are performed through on the spot visits by authorized teams of the HAASOB.

Below is a table indicating the range of inspections tasks during the period from April 2015 to April 2016:

Range of HAASOB's inspections tasks	
Financial statement audits (Overview of audit documentation files)	15
ISQC-1 (Monitoring of compliance with previous audit findings)	8
Inspections of audit reports of public hospitals	117
Total	140

The 15 files in which inspections were performed were from audited entities of 11 different sectors.



Inspections Findings - Detailed Presentation

A. Statutory Audit of financial statements (15 files of audit documentation)

Agreeing the terms of an audit engagement | ISA 210

In a significant number of audits inspected, about half, errors and/or deficiencies were found in the engagement letter, in relation to the requirements of ISA 210.

Planning an Audit of Financial Statements, Identifying and Assessing the Risks of Material Misstatement | ISA 300 & 315

There have been cases where the audit strategy was not sufficiently documented by the statutory auditor (its nature not described, if that was mixed, if it was based on internal controls and whether it was entirely based on substantive procedures).
Also, in some of the audit files the task to identify and assess the risks of material misstatement through understanding the audited entity and its environment was not adequately documented. In particular, the specification of the estimated risk at the financial statements and assertion levels was missing (ISA 315.5).
The main deficiencies identified in the audit planning of the information technology systems of the audited entity are the following:

- Identification and general description (the computer systems of the accounting / financial management etc.)
- Whether the auditor planned to rely on evidence derived from the computer systems of the audited entity (such as a maturity analysis)
- Incomplete documentation of the review of the important internal controls associated with the computer systems in the context of understanding the entity and its environment (no reference to the testing, but only to the description and the so-called walk-through test)

Fraud in an audit of financial statements and compliance with laws & regulations | ISA 240 & 250

Cases were identified where the assessment of risks of material misstatement was not based on the assumption that there were risks of fraud in revenue recognition, so that the auditor would have assessed what types of income or claims lead to such risks. Additionally, while the revenue recognition had not been identified as a significant risk, the auditor had not included documentation that had led him to this conclusion (ISA 240 par.26 & 47).

In a significant number of audit files the procedures to identify fraud risks were judged as insufficient. In particular, in most cases the specific procedures were carried out through questionnaires which were of general nature and were completed rather mechanically with one-word answers, yes / no, and no meaningful analysis.

Also -in a less number of audit engagements - weaknesses in auditing the risk of breaches of internal controls of the audited entity, including deficiencies in the audit of journal entries were found.
In several cases the audit procedures on the entity's compliance with laws and regulations were not detected or were incomplete.

Materiality | EIS 320 and 600

In relation to materiality the following was noted:
In more than 50% of the audit files, it was not sufficiently documented why the chosen benchmark as a starting point of materiality was suitable. Specifically, in some cases of repeated audit engagements with the same auditor there was a change of the calculation base, in relation to the previous year, without suitable documentation.
Finally, there were cases of consolidated financial statements in which the auditor had not calculated materiality for the group's financial statements (ISA 600 par.21).

Using the work of others | ISA 610 & 620 (ISA 402 & 500 par. 8)

The main deficiencies in the use of the work of internal auditors and experts are summarized in the following points:
a) Insufficient review of the auditor's expert work and therefore nonsufficient evaluation of the reasonableness of his/ hers assumptions and the data on which it was based (ISA 620). Similar deficiencies have been identified regarding the evaluation of the management's expert work, when information from such work was used by the auditor as audit evidence (ISA 500 par. 8).
b) Significant deficiencies in the evaluation of the work of the internal auditor were concluded, when it was used by the statutory auditor (ISA 610), but also in the auditing procedures (non-conducting) for services related to the audit of financial statements, provided by a service organization to the audited entity (ISA 402).

Audit documentation, substantive audit procedures, audit evidence | ISA 230, 500, 501, 505, 510, 530 540

The objective of the auditor is to establish, on time, documentation that can provide both a sufficient and appropriate register of the basis for his report, and also to provide evidence that the audit was planned and performed in accordance with the ISAs and applicable legal and regulatory requirements. In the inspections carried out for selected audit files weaknesses were identified in the substantive audit procedures carried out by the statutory auditors, the adequacy of the audit evidence gathered along with the audit documentation. The deficiencies were identified in the amounts of assets and liabilities and also the amounts of income and expenses, and are briefly analyzed below:

Financial statements reconciliation

There were cases in which the auditors did not include a worksheet (or errors in the worksheet were apparent) in the documentation file concerning the financial statements reconciliation with the accounting records. The findings more frequently observed concerned the lack of documentation of IFRS accounting entries.
More than half of the files inspected displayed deficiencies in the documentation of the agreement of the notes on the financial statements or appendixes with supporting files. The areas where deficiencies were most frequently identified concerned disclosures for related parties and IAS 11disclosures. In one case, no documentation was existent as to that the Board of Directors report had been reviewed so that its content was consistent with the financial statements.

Audit sampling in income / expenses | ISA 530

In ten out of the fifteen files, significant deficiencies were noted in the methodology for selecting and / or the sufficiency of the samples used by the auditors. There were cases in which the auditors did not apply the sampling methodologies that were written in the audit manuals of their audit firms and which certainly were in compliance with the requirements of the ISAs.
In many cases problems were apparent in the documentation of the recognition of revenue in the correct accounting period (assertion of cut off ISA 315 par. A111).

External confirmations (banks, clients, suppliers letters) | ISA 505

Regarding confirmation letters concerning balances (customers, suppliers, banks) the following situations were observed:
Approximately in one third of the files there were weaknesses in alternative procedures. The errors were: (a) failure to carry out alternative procedures, (b) inadequacy of the carried out alternative procedures and (c) lack of documentation of alternative procedures.
In certain engagement files, no roll forward or roll back examining procedures had been carried out. In 20% of the files the auditors had not documented the method they had used to select the sample for the customers/ suppliers confirmations letters to be sent.
In most cases the correspondence of the banks was problematic. The more frequent problems were:

- The auditors had not received reply letters from the banks up to the date of the audit report and had not carried out alternative audit procedures.
- The auditors had received reply letters from the banks with differences which had not been further investigated.
- Some letters were received from the audited entity either by fax or by email and no further consideration of the auditor had been documented to ensure that he/she was in control of the procedure.

Loan liabilities

Concerning loan amounts in the financial statements the main deficiencies identified were:
a) Cases where the classification between long-term and short-term parts of the loan was not documented.
b) The incomplete documentation for possible loan forfeiture clause, with whatever effect this could have in the classification of liabilities from long-term to short-term, but also in the evaluation of the appropriateness of going concern.

Receivables–bad debts

Significant indications of the insufficiency of the provisions accounted (e.g. aged balances that were not sufficiently investigated as to their recoverability, such as for example companies in liquidation) had not been evaluated. In other cases, the audit files had deficiencies in the documentation of the evaluation of the methodology implemented for provisions. The management model had not adequately and critically been evaluated as to its assumptions and results, whereas great importance had been given to the representation letter from the management.

Inventories

Significant were the findings in the field of valuation of inventories, such as:
• Inadequate evaluation of estimates made by management regarding the value of obsolete inventories.
• Calculation of the possible obsolescence of inventories by the auditor with arbitrary assumptions.
Deficiencies concerning the documentation and the adequacy of the audit work for observing the management's count procedures were encountered less frequently.

Deferred taxation

The major failures in auditing deferred taxation were noted in the recognition of deferred tax assets. More specifically in two cases, appropriate documentation was not found as to whether the tax losses related to the recognition of the deferred tax asset could be offset against future taxable profits.

Consolidation & disclosure of transactions with related parties

Cases of consolidation of financial statements of companies (with extremely important financial figures) were found, which should not have been consolidated, resulting in the consolidated financial statements being seriously incorrect.
Also, cases of non-disclosure or insufficient disclosure of significant (in some cases very significant) transactions with related parties were found.

Going concern | ISA 570

Economic uncertainty, a result of the current difficult economic conditions in Greece, highlights the importance of the assumption of going concern. The objective of the auditor is to obtain sufficient and appropriate audit evidence regarding the appropriate use of the assumption of going concern, by the management of the audited entity in the preparing of the financial statements. From the HAASOB's inspections it was concluded that in some cases the evaluation of the auditor ongoing concern matters was based on assumptions of the management, the reasonableness and rationality of which the auditor had not assessed.

Communication with audit committees

In some cases of files of companies listed in the Stock Exchange Market, it was noted that the auditor had not fulfilled his/her obligation of communication with the audit committee, according to article 37 of Law 3693/2008.

Written representations | ISA 580 and legal advisors letters

Although written representations provide necessary audit evidence, they do not however provide sufficient and appropriate audit evidence on their own for any of the issues with which they deal.
From the inspections carried it was noted that in several cases the representation letters of written assurance were incomplete - e.g. there was no summary of the non-corrected errors. Also, there were cases where significant deficiencies and inadequacies in the conduct of substantive audit procedures were noted, while at the same time great importance to the management's assurance letter had been given for the relative matter.
Several deficiencies were displayed in the legal advisors letters. They were mainly cases in which either the lawyer did not evaluate the outcome of the cases handled at all, or in which the auditor did not document the connection of the content of the letters with his audit work for the evaluation of doubtful debts.

Audit report | ISA 700, 705

The auditor must form an opinion on whether the financial statements of the audited entity are prepared, in all material respects, in accordance with the applicable financial reporting framework. In order to form an opinion, the auditor must have obtained reasonable assurance about whether the financial statements are, as a whole, free from material misstatement.
Approximately in one third of the cases, the gravity of the findings of inspections resulted, in the assessment of HAASOB auditors, to technical

inappropriate type of opinion by the statutory auditor. Also, there were some cases where the audit documentation that the auditor had gathered was insufficient to support the opinion expressed in the audit report.

B. Inspections of audit reports of public hospitals (117 audit reports)

The Quality Control Board, apart from the programmed inspections and taking under consideration, mainly but not only, cases of unusually low fees in public hospital audits that were observed from the submitted informational data, reviewed 117 audit reports of public hospitals.
From the reviews of the audit reports, which were issued by the statutory auditors and audit firms for the years 2012 and 2013, major deficiencies were concluded. In particular, the Quality Control Board identified several cases where the quantitative errors - as recorded in the opinion of the statutory auditors- were pervasive and material to the financial statements and the auditors' opinion according to the ISA 705, should have been different from the one actually expressed. The Quality Control Board called to a hearing 25 auditors for further explanations and in most cases proceeded with recommendations for compliance with its indications.
Also, as part of its responsibilities, the Quality Control Board investigated allegations and reports submitted to the HAASOB and where it was judged as essential, either directly called the auditors to a hearing for further explanations, or included the cases in the current quality inspections program.

C. ISQC 1 COMPLIANCE AUDITS

Findings related to ensuring the quality of the provided services

Major deficiencies:

Acceptance and continuance of client relationships

• Acceptance Procedures with filling in questionnaires which contained one word answers without adequate documentation in some cases.
• There was no communication with the previous auditor.

Consultation

• Consultation Documentation (usually had been done orally).
• Lack of relevant policies.

Execution and documentation of the audit engagement

Major deficiencies in the evaluation of:
• The risk level of acceptance of the audit.
• The overall risk and the risk of fraud.

EQCR

• Non conduct of a quality review of the audit engagement (even if the entity concerned was listed in the Stock Exchange Market).
• Lack of selection criteria for the audit engagement for inspection {ISQC-1 par. 35 (b)}.

Completion and filing

• Lack of recorded policy.
• The completion of the audit documentation is not documented on time.

Findings related to quality assurance structures of audit firms

Major deficiencies:

Independence

• Cases of non-completion of annual independence declarations by some staff members.
• Errors in annual independence declarations.
• Cases of non-compliance with the legislation on rotation.
• No communication with the Audit Committee.
• Provision of incompatible non-audit services.
• Absence of contracts for the provision of non-audit services which made it impossible to determine their nature and content.

IQCR

• Lack of procedures to evaluate the quality assurance system.

• Non sufficient documentation of the IQCR procedures. Cases of non-conducting IQCR.

Safe custody

• Lack of establishing policies for safe storage, integrity and maintenance of audit documentation (printed and electronic).

Complaints

• Lack of policies and procedures.

Human resources

Major deficiencies:

Continuous education of auditors

• Inadequate attendance of continuous education programs.

Evaluation

• Forms and evaluation criteria with very general references.

• No connection between evaluation and staff development.

Recruitment/Staffing

• Insufficient implementation of the audit's firm established procedures.

D. Transparency Report inspections

As part of the inspections performed concerning the implementation of the ISQC -1, the content of the most recent transparency reports that the audit firms had published was also reviewed. Moreover, the HAASOB also reviewed the transparency reports of audit firms which were not included in the inspections program of the reference period (April 2015 - April 2016). Where errors or deficiencies were identified, the necessary recommendations and suggestions were made.

E. Joint Audit between HAASOB and PCAOB

In August 2015, a bilateral agreement was signed between the HAASOB and the respective US competent authority (Public Company Accounting Oversight Board- PCAOB) to conduct joint inspections of audit firms subject to the regulations of the two supervisors. This agreement was directly entered into force, resulting in that in November 2015 the first joint inspection of the two authorities was successfully completed. The execution of these joint inspections will continue in the years to come, aiming to the continuance of reinforcing investors' trust in the audit and accounting profession both in Greece and the US.

2.2 Accounting Standardization

The Accounting Standards Board under its new composition has sought to respond in due time to the outstanding questions that were submitted throughout the course of 2014 and the increased volume of questions submitted in 2015 with the enforcement of Law 4308/2014 (Greek Accounting Standards).
In total, in 2015 the Accounting Standards Board responded to one hundred and twenty five (125) questions submitted by entities of the narrow and broader public sector, private companies, accountants, audit firms etc. from a total of the one hundred and forty (140) questions concerning years 2013, 2014 and 2015.
In addition, the Accounting Standards Board introduced the international practice of Popular Reporting «Simplified financial statements for the citizens" and encouraged its application for the first time in Greece.
At the same time, all the answers to the questions are from now onwards published in the official website of the HAASOB.

During 2015 ninety-three (93) questions, during 2014 twenty-six questions (26) and during 2013 twenty-one (21) questions were submitted. An increase in the questions submitted by 257.7% from 2014 to 2015 was concluded.

2.3 Organizational Issues

Recruitment / staffing of the HAASOB

The HAASOB has, up to date, been staffed with personnel from other public sector services. Its staff on 31.12.2015 amounted to nineteen (19) persons of which twelve (12) started working in the HAASOB in 2015. In order to support the audit supervisory work of the Board out of the twelve (12) persons that joined HAASOB's staff in 2015, five (5) are highly qualified staff with special knowledge in the audit, accounting and finance areas and vast experience in conducting inspections. Furthermore, the Information Systems and Computer Support Department was properly staffed for the first time.
Adequate staffing of the Board with qualified personnel in the field of auditing, accounting and finance, is a key priority and a determining factor for the continuation of the HAASOB's operation.

Organizational and Operational Manual

Following the HAASOB'S staffing in 2015, and in order to cope with its objectives and aims, with its # 99 / 9 / 20.03.15 Decision, the Board of Directors approved the Organizational and Operational Manual of the HAASOB. The purpose of this manual is to provide basic personal information and a guidance tool, in order to enhance the functionality and efficiency of the Board, presenting in detail the rules governing the daily operation the HAASOB. The manual is a guide that explicates issues related to the daily practices and the ways of working.

Computerization of the Administration

During 2015 the HAASOB proceeded in developing an electronic register of its employees and their leaves, while also proceeded in the procurement of a payroll managing program from a specialist supplier.

Upgrading of IT Systems and Support

During 2015 the Information Systems and Computer Support Department proceeded with a number of activities to upgrade and improve the HAASOB's IT systems and to support their usage. In more detail:

• The HAASOB'S website was reconstructed in both the English and the Greek language, with emphasis on providing both auditing and accounting information. Also, all the replies to questions submitted to the Accounting Standards Board during the period 2008-2015, were edited, grouped and posted on the website.

• The database of the HAASOB's public Register was redesigned according to information received from the audit firms and / or Statutory Auditors, in order to alter any malfunctions and cover any deficiencies.

• A research on the security of the HAASOB'S information systems was carried out aiming to assess the risk of its IT systems and applications and in designing a security plan. It is noted that the realization of this research was a prerequisite for the signing of the bilateral Agreement between the HAASOB and the PCAOB.

• The equipment and infrastructure of the IT was reorganized with a simultaneous upgrading of the HAASOB'S computer / servers network.

2.4 Other Initiatives and Actions of the HAASOB

Legislative Committee for the transposition of EU Directive 56/2014

The HAASOB participated with a leading role in the Legislative Committee appointed by the Minister of Finance for the transposition of the EU Directive 56/2014, concerning the statutory audit of the financial statements of public interest entities, to national law. As Chairman of the Committee, the HAASOB'S Deputy Chair A, Mr. Panagiotis Giannopoulos, was appointed.

General Government's Accounting Chart

The HAASOB actively participates with representatives in the working group set up by the Minister of Finance to form the new accounting framework (including a draft of accounts) for the General Government, pursuant to the provisions of Law 4337/2015.

The working group's project is considered crucial for the transparency and credibility of the public sector's finances and the goal is the development of an accounting chart for all the general government's authorities which will meet the needs of the European System of Accounting (ESA), the International Public Sector Accounting Standards Board (IPSAS) and the state budget.

PART 3: INTERNATIONAL ACTIVITIES OF THE HAASOB

The auditing and accounting environment in Greece is directly associated with the international developments in the auditing and accounting field. The effective exercise of the oversight authority of the HAASOB requires cooperation with the European and International supervisory authorities and active participation in international events in the area. With this in mind, the HAASOB prioritized for 2015 the development of international relations in order to strengthen its presence in groups in which it was already involved but also the further development and creation of new relationships with relative national authorities and international bodies. Also, in addition to the active participation, the HAASOB launched a new ambitious outward-looking strategy of international relations, with the submission of candidateship and the final and official undertaking of the hosting of major international audit workshops in Athens.

The HAASOB participates in the following European and international supervisory groups:

European Group of Auditors' Oversight Bodies (EGAOB): This European body aims to ensure effective cooperation between the supervisory authorities of the audit profession of the EU Member States. The HAASOB actively participated in both meetings of the Group as well as in the working subgroups established to deal with issues of the supervision of the audit profession and the cooperation with supervisory authorities of third countries.

European Audit Inspection Group (EAIG): This is a European body that provides a European platform for cooperation between supervisory authorities of the Member States. Its main aim is to inform its members on the important issues that arise and to promote cooperation between the supervisory authorities concerning inspections on audit work performed by statutory auditors and audit firms. The EAIG presents the findings of inspections carried out and discuss issues raised by bodies such as the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) and representatives from the auditing profession. The HAASOB participated in regular meetings of the EAIG in 2015, and took over the hosting of the 17th meeting of the EAIG in Athens, after its selection amongst other candidates.

Committee of European Auditing Oversight Board (CEAOB): A newly established European Body in which all the European supervisory authorities are represented and take part, following the relevant decision of the European Parliament and the EU Council. In 2015, the HAASOB participated in the preparatory work for the forthcoming (in 2016) establishment and operation of the CEAOB, presenting Greece's positions and contributing to the Board's objectives, its advisory role to the European institutions.

International Forum of Independent Audit Regulators (IFIAR): A global body of independent supervisory authorities of the audit profession that promotes cooperation between the supervisory authorities and the exchange of expertise and experience from the exercise of their supervisory authority. The HAASOB joined IFIAR in 2010. The HAASOB participated in IFIAR'S annual survey for the year 2014 (held in 2015), regarding the findings of its members resulting from inspections on the audit work of audit firms and also participated in the international activities of the organization.

Besides its participation in the aforementioned international bodies and institutions, in 2015 the HAASOB sought to develop partnerships at a bilateral level with the respective national supervisory authorities. The realization of a bilateral agreement between the HAASOB and the US Public Company Accounting Oversight Board- PCAOB was considered of great importance.

The above agreement had as its objective the supervision of audit firms subject to the regulations of both these oversight authorities, providing a framework for joint inspections of these authorities, for the protection of personal data and for the exchange of confidential information in an international environment for audit services.

The PCAOB has signed similar agreements in the European Union with Denmark, Hungary, Sweden, Finland, France, Germany, Netherlands, Spain and the United Kingdom and continues its efforts to reach cooperation with regulatory authorities of the EU Member States that still have not signed such agreements. In addition, the PCAOB has signed agreements with Switzerland and Norway, as well as with many regulatory authorities in North America, the Middle East, Asia and Australia.

PART 4: FINANCIAL REPORTING

The HAASOB'S operations do not burden the state budget. The basic budgeted and reported financial figures for the year 2015 are referred to below.

INCOME

The total revenues of the HAASOB for the year 2015 amounted to EUR 2,395,750.56, in comparison to the amount of EUR 2,171,620.57 the previous year, i.e. there was an increase of EUR 224,129.99, which corresponds to a percentage of 10.32 %.

EXPENSES

The total expenses of the HAASOB for the year 2015 amounted to EUR 999,199.03, in comparison to the amount of EUR 816,353.59 the previous year, an increase of EUR 182,845.44, which corresponds to a percentage of 22.40%. It is noted that the HAASOB's budget had not been approved until September 2014, and expenditure that had been made from the beginning of the year until September 2014, concerned only expenditure for wages which in 2015 was nevertheless higher due to the Board's staffing.

PART 5: PROSPECT FOR 2016

Undoubtedly the new EU regulatory framework of the audit profession, which currently is in the process of transposition to the national law, will affect the process to ensure the quality of audits.

The main measures foreseen in the new regulatory framework on statutory audit of public interest entities (PIEs) are, among others: the mandatory rotation of statutory auditors and audit firms every 10 years, the ban on the provision of some of the non-audit services from statutory auditors and audit firms, the setting of a maximum limit on fees that can be charged from providing non-audit services, in order to avoid conflict of interest issues, the enforcing of the role and responsibilities of the Audit Committee, which is actively involved in both the appointment of the audit firm and the monitoring of the audit.

The HAASOB, taking into account the new regulatory framework which is being formed, ensures the ability to meet the challenge of the new requirements quickly, efficiently and effectively by:

• The close cooperation with all parties involved in the educational process of the audit profession.

• The continued close cooperation with the correspondent European national authorities responsible for public oversight and the assurance of the quality inspections.

• The provision of counseling on key issues concerning the legal framework of the audit and accounting sector.

• The monitoring and improvement of the HAASOB's audit methodologies for the effective and efficient conduct of its work.

• The application of CAIM (Common Audit Inspection Methodology) to quality inspections.

The HAASOB is the national oversight authority of the auditing and accounting profession.

The HAASOB'S responsibilities derive from the legislation and are oriented exclusively to the public interest.

The HAASOB is a public entity, which benefits administrative and financial autonomy.

The HAASOB 'S purpose is to strengthen investors' trust in the audit and accounting profession in Greece

HAASOB

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HAASOB