

# **The Past and the Present of the Audit Profession in Greece**

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## **Abstract**

This paper presents a description of the history of the auditing profession in Greece, focusing on the development of the supervisory authorities of auditors. The auditing profession in Europe has been developed in a common framework, following the relevant auditing Directives of the European Union. The current auditing provisions are common in EU and mainly focus on the supervision of the profession, providing high quality and independent services. In Greece, the profession had been strongly influenced by the Anglo Saxon auditing system, before adopting the specific European provisions. The significant role of the state, the professionals and their union is evident throughout the historical examination of the supervision of the quality of audit work.

**Key words:** Auditing profession, history of audit profession, supervisory authorities, European auditing Directives

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## **The past and the present of the Audit Profession in Greece**

### **Introduction**

The significance of auditor's profession relies on the verification of the information included in the financial statements. The decisions of the users of the financial statements are historically based on auditor's certification confirming the accuracy and completeness of financial information (Kane, 2004).

The profession of auditing worldwide is under continuing alteration due to the interaction between the relative public and private parts and their interests, as well as due to the harmonisation in auditing standards following the financial globalization and the relevant developments in the accounting field.

The necessity for developing a framework for common auditing standards has been proved by the establishment of General Accepted Auditing Standards all around the world. SEC, began issuing accounting standards in 1937, requiring at the same time all publicly traded corporations to have an independent audit each year. Then, the International Federation of Accountants (IFAC), which is the global organization for the accountancy profession in 124 countries and jurisdictions, prepared the International Standards on Auditing. The relevant European and American oversight bodies were then formed in order to supervise the profession and the quality of the auditors.

The European Commission has set up a “European Group of Auditors’ Oversight Bodies” (EGAOB). The Group ensures effective coordination of new public oversight systems of statutory auditors and audit firms within the European Union. In the same context during 2010 a Green Paper was published on the role of auditors. The objective of this green paper is to initiate a debate on the role and the governance of auditors, as well as the possible changes which could be foreseen in this domain.

Similarly, in the United States of America (USA) the Public Company Accounting Oversight Board (PCAOB) was established. This a nonprofit corporation established by Congress of the USA to supervise the auditors in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. In China, which is the most developing economy in the world and probably the next most powerful, the need to improve the quality and credibility of the auditing profession led to the formation of Chinese Independent Auditing Standards Commission in 1994. The framework for the Chinese Independent Auditing Standards, which they have developed, became effective on January 1996 (B.J. Cooper et al, 2002).

Most of the researches of auditing profession are analyzing the different interests that interacted in the formation of the audit profession (Ballas, 1998, Cooper et al, 2002, Mattingly, 1964, Walker, 1995, Willmott, 1986). Beelde (2002) found that in the creation of the Belgian auditing profession, the main parties that were involved were the state, the employers and the unions. Jeppesen (2011) describes how the complexity of the Danish regulatory system, where audit regulation takes place in overlapping committees between the profession, the state and the educational institutions, disturbed the balance of the 'system of professions' in Denmark during the implementation of the European Eighth Directive on auditor qualifications.

Many researches are studying audit profession in the respect of analyzing the financial crisis as well as making efforts to identify the features of what led to recent accounting failures (Imhoff, 2003, Satava et al 2006). Humphrey et al (2009) explored how regulatory relationships in the global auditing arena are being affected by the current financial crisis. Jeppesen (1998) argued that auditing is currently being 'reinvented', increasing consulting services and modifying the profession into a relatively marginal service (Zeff, 1998). Following the same perspective, Caramanis' (1997) survey revealed that the liberalization of the Greek auditing profession in 1992 resulted in auditors place more emphasis on the provision of Management Advisory Services to audited companies.

Concerning the development of the audit profession in Greece, previous researches have focused in interactions of interests of the related parties. Mattingly (1974) describes the features, the relations and the actions that resulted in the formulation of the Institute of Certified Public Accountants of Greece in 1955 with the Law 3329, from its establishment in 1931. The Institute founded, was not only a professional association but also a practicing firm of Public Accountants.

Ballas (1998), apart from the historical analysis, is focusing on Greek's state interest in emerging the audit profession. He states that 'Greek state perceived auditing as a good instrument of social management'. According to his research, the forces or the interests that led to the establishment of the

profession were a) the satisfaction of American agencies request for the audit and subsequently the protection of its loans, b) the intention to ask economic and political control, c) to prevent situations embarrassing for the government, such as fraud, business failure or corruption of state officials and d) to be in attendance on the state's fiscal problem.

Caramanis (1997, 1998) researches are focused in the period of the liberalization of the audit profession in Greece, in 1992. In his first survey he argues that the liberalization was 'the result of a long and intense intra-professional conflict between a group of indigenous auditors who until then enjoyed legal monopoly of practice and local branches of international accounting firms who wanted to enter the market for statutory audit services'. Following this research, he investigated the impact of the liberalization of the profession on auditors' behavior, concluding in that auditors began to pay more attention on providing consultancy services and protect the interests of large shareholders and management, instead of serving the public interests.

The purpose of this paper is to follow auditing profession's steps from its establishment to the present time, focusing on the role played by the supervisory authorities. The first part of the paper refers to the development of the audit profession in Greece, beginning from the time that the state official enforces the respective legislation. The second part analyzes the interaction between oversight bodies. The last part describes the current situation of the audit profession in Greece, followed by the conclusion of the research.

### **History of the Audit Profession in Greece**

The first type of official legislation that introduced the Accounting and Auditing Principles in Greece was the Law 1123/1980. Based on this legislation, the initial accounting supervisory authority in Greece was introduced. This was the National Board of Accounting that was founded in 1988 based on Law 1819/1988 (Official Journal of the Hellenic Republic (FEK) 256 A'). The relevant auditing supervisory authority was the Institute of Chartered Auditors in Greece (SOL).. Since 2003, the regulatory and supervisory accounting body in Greece is the Accounting and Auditing Oversight Board (GAAOB).

GAAOB was founded in 2003 based on Law 3148/2003 and comprises of the Accounting Oversight Board and the Auditing Oversight Board. The national practice on statutory audits of company accounts and consolidated accounts in Greece, converged with Directive 2006/43/EC based on Law 3693 (25 August 2008).

The historical development of the audit profession in Greece is distinguished in the following four periods:

a) The period up to the beginning of the operation of the Institute of Certified Auditors (SOL) in 1957, during which the auditing of company annual reports was basic and typical, because of the non-existence of an organised audit profession. The obligations of the statutory audit were described in Law 2190/1920. According to Law 2190/1920, all listed Companies, listed or unlisted banks and listed or unlisted insurance companies, must be audited by a certified auditor(s) who is a shareholder in a recognized auditing company. The individual auditor (but not the auditing company) must be rotated every four years.

According to this Law the annual financial statements of limited liability companies exceeding two of the three following thresholds should be audited by at least one chartered auditor. The criteria are: a) a balance sheet total of 2.5 million (2,500,000) euro, b) a net turnover of five million (5,000,000) and c) an average of 50 people employed during the fiscal year. In any case, the statute of a company founded with capital of at least three million (3 million euros) should provide that the annual financial statements for the first fiscal year be audited by an auditor - accountant.

This statutory audit is a condition for the validity of the approval of annual financial statements of the general assembly. The auditors are appointed by the Annual General Meeting, during the audited fiscal year, in accordance with relevant legislation. The annual financial statements of limited liabilities companies, with an annual turnover exceeding one million euro (1.000.000 euro) and one of the two of the above mentioned criteria, are audited by at least two auditors certified by the Economic Chamber or by one chartered

auditor. The obligatory or voluntary audit is a condition for the validity of the annual financial statements.

b) The period from the beginning of the operation of SOL in 1957 until 1992, when the audit profession was organised and operated under a specific legal form of the professional body of the chartered auditors. The special provisions for auditors for this period are the following:

i) It is strictly prohibited that any Chartered Auditor is involved in determining the remuneration of the audit,

ii) The Supervisory Board of the Auditors, was appointed by a joint ministerial decision and consisted of professors, members of the Court of Auditors, the President of SOL, etc. The Supervisory Board had by law (Article 6 of Decree 3329 / 1955) the following responsibilities: recruitment of new members, which will be introduced at the lower level, conduction of the promotion and exercise of disciplinary powers, determination of the amount of fixed monthly remuneration of members of the SOL, definition of audit fees, collected and deposited into a special account with the Bank of Greece.

iii) The responsibilities for business issues entrusted to the Executive Committee, consisting solely by elected members of SOL.

iv) It is clarified that the chartered auditors are not considered as civil servants, but have to perform a public duty. In carrying out the work of the Chartered Auditor, professionals should be independent, prohibited any intervention any project not be directly controllable by SOL for the price fixing.

v) Through article 13 of Legislative Decree 3329/1955 strict rules of incompatibility are established, in order to achieve independence between the audit fees and the quality of the audit work.

vi) Establish stringent requirements as to the irreproachable character, integrity of character and the undeniable virtue and required high standard and merits for all chartered auditors (Article 10 Decree

3329/1955 and Article 2 NW 737/1961).

It should be emphasized that the above measures were suggested by British Chartered Accountants, who were during the first years of operation of SOL, the Technical Council of Certified Accountants (and the Greek Government, - Decree 2181/1952 and Article 17 SW . 3329/1955). The British Chartered Accountants suggested auditing practices other than those applicable and valid in their country, not only because they knew that conditions in Greece were different, but also because they knew the drawbacks of liberal (commercial) occupation of their homeland. Following all these recommendations the first standards of audit were prepared. They were based primarily in English auditing standards. These standards were revised in 1979 and adapted to the basic principles of international auditing standards and the specific requirements of Greek company Law.

During the year 1988, the provisions of the 8th EU Directive 84/253/EEC, regarding auditors and audit profession, were incorporated into the Greek legislation. The main changes introduced were the following:

i) the occupation of the external auditor (Chartered Accountant) should be paralleled with the professions of lawyer, doctor, etc. On the other hand, the Chartered Accountant is not an advocate of the undertaking and does not only defend the interests of the client (shareholders), as the lawyer defending the interests of his client. The Chartered Accountant should act like the Judge. The auditor should be objective and impartial towards all and report the findings of the audit.

ii) In order to ensure that an independent auditing profession is operating in Greece, it was also institutionalized, so that meaningful and objective verification of quality necessary to maintain the form of organization imposed by the provisions of 8 (84/253/EEC) Directive through the Decree 3329/1955, would be applied.

Indeed, the 8th Directive requires a statutory audit of annual accounts (financial statements) of companies and of consolidated accounts of groups, to

be conducted by professionals, who are characterized by professional integrity and who will guarantee the professional independence. They should also be able to present a high level of certain qualifications. The 8th European Directive does not address the issue of organization of the audit profession. This issue, ie whether the auditors will be organized in the form of “companies” (various types) or of self-employed auditors or of “public servants” with guaranteed freedom of their professional opinion, is left to be regulated by the internal laws of each country.

The PD 15/15-1-1989 introduced further adjustments on the auditors qualifications and on the audit profession provisions (Legislative Decree 3329/1955 and 4107/1960 and 737/1961 NW). These adjustments did not change the existing form of organization. More specifically, participation of auditors in the mandatory professional association gave the right to auditors to become members of Certified Public Accountants, in case they had also exercised statutory audit in Greece and had qualifications equivalent to those of Chartered Accountants - Members of the Association of Chartered Accountants. This adjustment was considered by the Supreme Administrative Court of the country, that it complies with the provisions of EU Directive. Later, in 1992, ultimately prevailed in the Government’s view to adopt in Greece the form of organization prevailing in other European Union countries, ie individual firms of auditors.

According to article 2 of PD 226/92, SOEL organized the profession in order for audits to be performed by individuals with highly professional qualifications that practise their work with transparency and responsibility, so as to ensure the validity and reliability of audits, according to the regulation and rules set by the Greek and European legislation. It is vital that, for the realisation of this objective, auditors must be independent. SOEL, as a type of supervisory authority, is managed by a seven-member Supervisory Board, which is elected by the General Assembly of SOEL. Article 18 of PD 226/1992 determines the details of audit engagements and audit fees. Article 19 of PD determines issues relating to auditor liability and audit failures. Auditors and audit firms must bear an actuarial policy against losses caused by audit

failures. The actuarial cover cannot be less than 150% of the total fees that the auditor or the audit firm received during the previous fiscal year, and in general cannot be less than ten times the total annual remuneration of the President of the Supreme Court.

c) The period from 1993 until 2003, that is to say, from the termination of SOEL and the creation of individual audit firms. This is a transitional period from the SOEL period and the general audit rules to the total independency of the profession and the development of an expert Supervisory Authority. These years were the transitional period to the current situation and a mixture of auditing standards and supervision from the previous and the next period are obvious.

d) The period from 2003 afterwards, when the Greek Accounting and Auditing Oversight Board was established, based on EU Directives. The condition of audit profession operation of this period is analysed below, as this describes the current situation.

In order to perform statutory audits, auditors must comply with the Greek Standards on Auditing. These are published in the Official Journal of the Hellenic Republic (FEK volume b 1119/1979 and 126/1993). These standards are in line with the International Standards on Auditing (ISAs). Law 3693 (25 August 2008) incorporated regulations of 2006/43 EU Directive in the Greek law. By power of the same Law (3693/25.8.2008 article 24) International Standards on Auditing, International Standards on Review Engagements and International Standards on Related Services were adopted and officially translated into Greek. These standards will be officially enforced in EU upon approval by the European Parliament. Auditors must also comply with the 'Code of Ethics' that is published in the Official Journal of the Hellenic Republic (FEK volume b 364/1997).

### **National Organizations and Connections with International Organizations**

The description of the history of audit profession in Greece prevailed

that this was closely related to the development of the supervisory authorities of the auditing profession. Before the analyzed description of the current situation, an analysis of the supervisory authorities of auditing in Greece, is provided.

***Institute of Certified Public Accountants (SOEL)***

PD 226/1992 refers to the constitution, structure and operation of SOEL and to the exercise of the audit profession and requires:

i) the creation of SOEL that consists of professional auditors that enjoy personal and operational independence and are registered in the special Registry and develops the auditing standards in Greece based on the cooperation to the British auditors, who provided useful technical assistance.

ii) that all serving members as well as those that fulfil the requirements and conditions that are determined in article 10, para 5 of PD and in the transient provisions of article 24 of PD may register in the special Registry.

iii) that SOEL comprises by the General Assembly, the Supervisory Board, the Scientific Board and the Disciplinary Board.

In accordance with article 7 of PD, the General Assembly of SOEL consists of auditors registered in the special Registry, and who are not in suspension. Audit firms are excluded. The General Assembly constitutes the governing body of SOEL and assembles regularly once a year, and extraordinarily when the Supervisory Board convenes. The General Assembly approves the annual reports and the budget of SOEL and it also elects every three years the Chairmen and the members of the Supervisory Board and those of the Scientific Board, as well as the representative to the Disciplinary Board.

The Supervisory Board consists of six members and the Chairman, who are elected every three years by the General Assembly. The Supervisory Board is charged with the monitoring of the work of auditors. It oversights the financial statements of SOEL, it prepares the annual reports and the budget,

which are subsequently submitted to the General Assembly for approval. According to the provisions of article 21 of PD, the Supervisory Board may decide the removal of a member from SOEL. This Board arranges the conduction of the examinations for the admission to SOEL for new auditors or for the promotion of the existing ones. It monitors and controls the work carried out by auditors in order to ensure that the regulation and the rules of professional ethics are complied with. It also publishes rules in addition to the existing regulation in order to enhance or assist in the smooth and efficient use of auditing standards and their convergence with the International Standards on Auditing.

The Scientific Board consists of four members and the Chairman that are elected, among active or former auditors or University accounting or auditing professors, by the General Assembly of SOEL. The Scientific Board works out or processes the regulations, directives and rules. It is also responsible for dealing with technical or practical questions relating to the exercise of quality controls on the work carried out by auditors.

The Disciplinary Board consists of three members, i.e. the Chairman, a member of the Supervisory Board, and an auditor. The offences as well as the penalties, which are referred to the Disciplinary Board, from the Supervisory Board, are determined in article 20 of PD. The disciplinary process is determined in appendix 2 of PD.

### ***Accounting and Auditing Oversight Board (GAAOB)***

GAAOB is the national supervisory authority of the audit and accounting profession and was founded in 2003 based on Law 3148/2003. It is responsible for the establishment and monitoring of the application of accounting and auditing standards. It aims at the enhancement of the markets' confidence on the accounting and auditing profession. The main objectives of GAAOB include ensuring that the audit services provided are of high quality and reinforcing the reliability and transparency of financial information. GAAOB consists of the Accounting Oversight Board and the Auditing Oversight Board. GAAOB is supervised by the Minister of Finance.

Some of the most significant responsibilities of this Board are: to make recommendations to the Ministry of Finance on matters pertaining to accounting and auditing, to ensure the quality of statutory audits, to provide an official opinion on accounting matters including matters pertaining to the public sector, to preserve that high quality auditing services are provided, to supervise the Institute of Certified Accountants (SOEL) as regards compliance with regulations which govern its members' conduct, to introduce codes of conduct for auditors and auditing companies and ensure the enforcement of such codes, to formulate bilateral and multilateral relations of collaboration with other national and international accounting and auditing supervisory authorities that operate in member-states of the European Union and other countries. GAAOB is an active member of European Group of Auditors' Oversight Bodies (EGAOB), to determine an effective system of disciplinary process and control.

More analytically 3 main Boards are operating within GAAOB.

#### ***Accounting Oversight Board***

The mission of the Accounting Oversight Board (SLOT) is to strengthen the confidence of market participants on published annual reports. SLOT has the following responsibilities: to propose the modification of existing or the application of new accounting standards, to oversee the effectiveness of the application of existing accounting standards, to answer questions relating to accounting issues, to processes accounting and auditing working papers that come from the European Financial Reporting Advisory Group (EFRAG), the Accounting Regulatory Committee (ARC) and other international accounting organisations and to provide opinion of Greece IASB consultation documents.

#### ***Auditing Oversight Board***

The mission of the Auditing Oversight Board (SPE) is to reinforce the quality of audit services. SPE has the following responsibilities: to perform audit quality inspections on audit services provided by auditors and audit firms, to processes legislative proposals on issues relating to the operation of the audit profession, to develop the regulation and interpretation of the 'Code

of Ethics' framework etc. For efficient operation, SPE cooperates with AIA and PCAOB as well as with EGAOB and all the relevant subgroups. In terms of the existing legislation (Law 3693/2008), SPE is the authorised body for quality control reviews of all audits carried out by SOEL members. SPE has conducted an initial quality control review of all audit firms in Greece with a view of establishing existence of quality control and suggesting improvements. Based on the findings of this first review and the responses of the audit firms to SPE's recommendations, the latter will plan the second step of its quality assessment reviews.

### ***Disciplinary Board***

The objective of the Disciplinary Board (PS) is the compliance of audit services with the regulation. PS is responsible for the disciplinary examination of each offense against the legislation that relates to the work of auditors. GAAOB does not apply sanctions. It can only refer an auditor or an audit firm to PS. PS has the following responsibilities: to supervise auditors' compliance with the 'Code of Ethics', to examine each offense against the audit regulation and to impose penalties in case of offenses against the audit regulation.

### **Current Situation of the Audit Profession in Greece**

According to Law 3693/2008, statutory audits shall be carried out by statutory auditors or audit firms having acquired a professional license. GAAOB is designated as the competent authority responsible for granting professional license to statutory auditors and audit firms. Granting of professional license is done by means of a Regulatory Act by the Board upon proposal of the Quality Control Council.

Certain requirements, should be met for statutory auditors to acquire their professional license. An audit firm will be granted professional license if all following conditions are satisfied:

- i) the natural persons conducting statutory audits on behalf of an audit firm must satisfy the conditions described below, having also acquired their professional license in Greece,

ii) majority of the voting rights in an audit firm must be held by audit firms having acquired their professional license by any member state or held by natural persons meeting the requirements below,

iii) the voting majority of the audit firm's management body should be held by audit firms having acquired their professional license by member state or held by natural persons who satisfy the conditions described below and

iv) the audit firm satisfies the conditions imposed by article 4 of Law 3693/2008. Professional license is granted to natural persons or audit firms of proven integrity.

Professional license of statutory auditor or audit firm is temporarily or permanently withdrawn by means of Regulatory Act issued by GAAOB upon proposal of the Quality Control Council. Professional license of statutory auditor and audit firm is withdrawn if their integrity is seriously compromised. GAAOB does, however, provide for a reasonable period of time during which the affected person should abide by the measures suggested by the Board in order to restore his/her ethical conduct and integrity. Where professional license of statutory auditor or audit firm is withdrawn for any reason, GAAOB shall communicate that fact and the reasons for the withdrawal to the relevant competent authorities of Member States where the statutory auditor or audit firm is also licensed. The information of the notified competent authorities is entered in the relevant Records.

A natural person may be licensed to carry out a statutory audit only if he/she meets all following requirements:

- i) successfully completed second-grade (high-school) education allowing him/her to pass the university entrance exams,
- ii) necessary theoretical instruction in the subject matters and passed the examination of professional competence and
- iii) completed practical training as provided by GAAOB.

The objective of professional examinations is to determine whether the candidate possesses a high-level theoretical knowledge of the subjects that should be examined as well as the ability to apply such knowledge in practice. Professional examinations are written examinations, with a reservation for a non-written examination in the case of individuals with special needs. Professional examinations and special professional examinations are under the oversight and control of GAAOB. Within the framework of this oversight and control, GAAOB with Regulatory Acts, assigns the organization or execution or both these projects to individuals or agents from Greece or abroad, having a proven knowledge and experience on these matters.

There are specific subjects that should be examined. GAAOB may, upon proposal by the Quality Control Council or the competent professional bodies, issue Regulatory Acts determining and readjusting the more specific list of the subjects that should be examined, for the purpose of keeping up with developments in auditing and accounting field and the auditing profession.

In order to ensure the ability to apply theoretical knowledge in practice, all trainees shall complete specific years of auditing practice under the supervision of a professional, depending on their educational level. GAAOB has the right, at its own discretion and with any available mean, to evaluate, throughout the duration of the training and within the framework of the training's objective, the content sufficiency of the training as well as the persons' supervision sufficiency, including the statutory auditors responsible for the trainees' supervision. In order to maintain their professional license, statutory auditors are required to take part in appropriate programs of continuing education held by Greek or foreign institutions.

***Record of Professionals and Professional license of statutory auditors from other member states and third countries***

Statutory auditors that have been granted professional license in any member state, have the right to acquire a professional license in Greece, under the sole condition that they succeed in the specific professional examinations, held in the Greek language, within the framework set in article 4 of Directive

89/48/EEC of the European Council of 21 December 1988, in the subjects mentioned in the Greek legislative and in general regulating framework governing statutory audits and the work of statutory auditors.

GAAOB is responsible to keep the public register (Register of Auditors) where all licensed statutory auditors and audit firms are entered. With Regulatory Act, GAAOB may assign the procedural matters of keeping the public register to a competent professional body.

Third-country audit entities, shall be clearly indicated in the register as such and not as audit firms. GAAOB has the right to ask for any clarification or additional information necessary for the purpose of updating the Register of Auditors.

Statutory auditors and audit firms are under the responsibility of providing the information required for the records of Auditors. If any change on the aforementioned information shall arise, statutory auditors and audit firms are responsible of notifying GAAOB within five calendar days. Any delay by statutory auditors and audit firms, constitutes a disciplinary fault penalized with, aside from all other penalties, their expulsion from the public oversight system, which will make their professional activity not legal, until sufficient information is provided.

GAAOB has the right, within the framework of its public oversight function, to check through any available means the correctness and completeness of information provided. If a statutory auditor or audit firm either denies to provide the necessary information, or the information provided is inaccurate, GAAOB will issue a Regulatory Act with which the professional license shall be withdrawn. Signature of the statutory auditor and audit firm is required establishing the responsibility of persons, for the accuracy and efficiency of the information provided to GAAOB. The required information for the Records of Auditors is entered in Greek and, translated in English.

GAAOB may allow the transfer to the competent authorities of a third country of audit working papers and other documents referring to the audit work and are in the possession of statutory auditors or audit firms holding a professional license, provided that the regulatory authorities are mutually

recognized and the relevant cooperation arrangements have been completed.

The Greek Accounting Auditing Oversight Board (GAAOB) is the competent authority to which public oversight authorities of member states are addressed for contribution in subjects of its competence. Mutual recognition of regulatory arrangements between member states for a statutory audit of accounts in another member-state, carried out by a statutory auditor or audit firm licensed by the competent authorities of that member state, regulatory and oversight competency belongs to the oversight authorities of that other member state.

In case of a statutory audit of consolidated accounts, when the audit is required by the Greek legislation and under the condition that the statutory auditor or audit firm carrying out the statutory audit of a subsidiary established in another member state has not acquired his license in Greece, GAAOB does not have the right to demand for the statutory auditor or audit firm of the subsidiary the application of the Greek law provisions. In case of a company with registered office in another member state, whose securities are traded on a regulated market in Greece and the statutory auditor or audit firm carrying out the statutory audit of annual or consolidated accounts has not acquired his license in Greece, the regulatory and oversight competency for statutory auditors and audit firms belongs to the competent authorities of the member state where they have acquired their license.

### ***Professional ethics, independence and confidentiality***

All statutory auditors and audit firms are obliged to abide by the applied Code of Ethics issued by the International Federation of Accountants, excluding the cases where the Commission, in accordance with the regulatory procedure with scrutiny referred to in the Article 48 (2a) of the Directive 2006/43/EC, adopt principle-based implementing measures governing professional ethics.

Statutory auditors and audit firms are responsible, when carrying out a statutory audit, to ensure their independency of the audited entities and they bare the weight of proving that they act independently in the course of

their work. The main criterion of their independence is the non-involvement, in any direct or indirect way, in the decision-making of the audited entity. The statutory auditor or audit firm is obliged to decline the undertaking of a statutory audit when there is any financial, business or other relationship between the statutory auditor, audit firm or network and the audited entity from which an objective, reasonable and informed third party would conclude that the statutory auditor's or audit firm's independence is compromised.

All information and documents to which a statutory auditor or audit firm has access are protected by the provisions on professional secrecy and by the regulations of the auditing standards. Where a statutory auditor or audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall provide the incoming statutory auditor or firm with access to all relevant information concerning the audited entity. The statutory auditor or audit firm who has ceased to participate in a particular statutory audit and the former statutory auditor or audit firm shall remain subject to the above provisions with respect to that particular statutory audit.

Where statutory audits are carried out in the name and on behalf of audit firms, any action or omission of a shareholder, partner, owner, member of the administration or member of the oversight body of the audit firm, that jeopardizes the independence and objectivity of the statutory auditor, is also penalized with, beyond all other applying sanctions, withdrawal of the audit firm's professional license, for a period of at least six months. GAAOB may readjust, by means of a Regulatory Act, the penalties imposed in accordance with the provisions of the present article.

Each public-interest entity establishes and maintains an Audit Committee, consisting of at least two non-executive members and one independent nonexecutive member of its administrative body. All members of the Audit Committee are appointed by the General Meeting of shareholders or partners and the independent non-executive member of the Audit Committee must possess a proven adequate knowledge of accounting and auditing subjects.

In order to protect the independency during the audit performance the

statutory auditors or audit firms should:

- i. confirm annually in writing to the Audit Committee their independence from the audited entity;
- ii. disclose annually to the Audit Committee the nature and scope of any additional services provided to the audited service, apart from the undertaking of statutory audits; and
- iii. discuss with the Audit committee the threats to their independence and the safeguards applied to mitigate those threats.

To safeguard the independence of the statutory auditors or audit firms in statutory audits:

- i. statutory auditors can provide their services as such for a period up to five consecutive years and they can recuperate their statutory auditor status after two consecutive years have elapsed;
- ii. key partners of audit firms can provide their services for a period up to four consecutive years and their appointment may be repeated after three consecutive years have elapsed.

The statutory auditor or key audit partner of the audit firm cannot take up a position in the management of the audited entity before a period of two years has elapsed since his last engagement in a statutory audit.

Moreover, auditors and audit firms, in compliance with special provisions, are obliged within three months of the end of the calendar year, to submit to GAAOB and publish on their websites annual transparency reports that include information regarding corporate government, internal quality assurance system, independence etc.

In the same framework of independency, the supervisory authorities include the audit fees strategies. The agreement to receive a fee for services rendered by a statutory auditor or audit firm under any condition or deadline constitutes disciplinary fault. Equally constituting disciplinary fault is the agreement to receive a fee for the undertaking of a statutory audit by a statutory auditor or audit firm who is dependent on or influenced by the provision of other services rendered to the audited entity, its subsidiary, its relative or to a

jointly audited entity, by the statutory auditor or audit firm or by an affiliate member of the audit firm or by a statutory auditor or audit firm belonging to the same network with them.

Statutory auditors and audit firms are dismissed only where there are proper grounds. Divergence of opinions on accounting treatments or application of audit procedures and audit fees do not constitute proper grounds for dismissal. The administration of the audited entity has the responsibility of informing GAAOB in writing in case where a statutory auditor or audit firm is dismissed, offering at the same time adequate explanation on the reasons that led to the dismissal. Statutory auditors or audit firms are under the same obligation in case of resignation. Dismissal or resignation of a statutory auditor or audit firm is valid only after being approved by the Board of Directors of GAAOB.

Disciplinary faults are penalized with, aside from all other penalties, expulsion of statutory auditors or audit firms by the public oversight system and all audit services they provide being deemed illegal.

Statutory auditors, audit firms and third-country audit entities are liable for any damage resulting from any positive action or omission. Liability for indemnification cannot exceed the amount equal to ten times the statutory auditor's fee for the specific auditing case. In case where statutory auditors are carried out in the name and on behalf of third-country audit firm or audit entity, liability for indemnification cannot exceed the amount equal to ten times the fee of the third-country audit firm or audit entity for the specific auditing case.

Statutory auditors, audit firms and third-country audit entities are obliged to have an insurance coverage equal to the limits mentioned in the previous paragraph. Non compliance with the above provisions will result in a withdrawal of professional license. Readjustments in penalties and indemnification amounts imposed in compliance with the provisions of the present article are done with Regulatory Acts of GAAOB and its Board of Directors.

### **Audit Engagements and auditing standards**

Statutory audits, depending on their nature, are carried out in

compliance with:

- i. the International Standards on Auditing
- ii. the International Standards on Review Engagements
- iii. the International Standards on Related Services

Statutory auditors and audit firms are under the obligation to install and maintain an internal quality control system for the works carried out in compliance with the standards. The internal quality control system shall be harmonized with the International Standards on Quality Control. GAAOB may impose, by means of Regulatory Acts, additional requirements to the ones defined by the International Standards.

In the case of a statutory audit of consolidated accounts, the statutory auditor or audit firm bears the full and exclusive responsibility for all financial data and information included in the consolidated accounts and, consequently, he is the sole and exclusive responsible for the audit report which states his professional opinion on the consolidated accounts. Within the framework of the regular auditor responsibility, the group auditor bears the responsibility to critically review and evaluate the work of third-country auditors and auditing entities, undertaking work for the purposes of the audit of consolidated accounts. The group auditor bears the responsibility to, sufficiently and adequately; document the aforementioned review and evaluation.

Sufficiency and adequacy of audit performance is evaluated by the possibility offered to GAAOB to carry out a quality control to the work of the group auditor. When for the purposes of an audit of consolidated accounts, audit work has been undertaken by a third-country auditor or auditing entity that has no working arrangement with GAAOB, the group auditor is under the responsibility to deliver to GAAOB the audit working papers or any other document that belongs to or is kept by the third country auditor or audit entity, which the GAAOB finds necessary in order to conduct a quality control of his/hers/its work. If legal or other impediments prevent audit working papers from being passed from a third country to the group auditor, the documentation retained by the group auditor shall include evidence that he or she has

undertaken the appropriate procedures in order to gain access to the audit documentation, and in the case of impediments other than legal ones arising from country legislation, evidence supporting such an impediment.

The Audit Report should be signed by the statutory auditor or audit firm who carried out the statutory audit and, in case where the work was undertaken in the name and on behalf of an audit firm, the report is signed by the principal partner, with a clear mention of all information concerning the audit firm in the name of and on behalf of which the statutory audit was carried out.

### ***Quality Control System and Oversight***

The oversight of the quality control system for statutory auditors and audit firms is assigned to the GAAOB, established under the Law 3148/2003 (Official Gazette 136A/5-6-2003). Administrative care for the undertaking of quality control of statutory auditors and audit firms, are assigned to the relevant organ of GAAOB, provided by Law 3148/2003, named Quality Control Council (QCC). The responsibilities of the Quality Control Council were enriched by the provisions of the Law 3693/2008.

The disciplinary judgment on every violation of the legislation and of the regulatory framework governing the auditing work, is assigned to the Disciplinary Council (DC) which is the competent organ of the Accounting and Auditing Oversight Board (GAAOB), established under the Law 3148/2003 (Official Gazette 136A/5-6-2003).

Quality control is conducted at least every three years for statutory auditors or audit firms and the third-country entities that carry out statutory audits of public-interest entities, and at least every six years given that the above mentioned persons do not carry-out statutory audits of public-interest entities.

### **Conclusion**

This paper presents the history of audit profession in Greece and at the same time a description of the developments in the supervisory authorities of the profession. The significant role of the union of the chartered auditors was replaced by an independent supervisory authority, following the relevant

provisions of the auditing Directives of the European Union. The final form of the profession and its supervisory authority includes specific standards and procedures that should be followed for international recognition of high quality auditing services. The main issues still under consideration is the compliance with the “Code of Ethics”, the effective implementation of International Standards on Auditing and the competency not only of the individual auditor but of the audit firm as well. A further research on the above issues and their development in European and international level could enrich in the future the initial results of this paper in combination to a close analysis and the first reaction to the Green Paper on auditing published recently.

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Alış verişte her iki tarafın hesabı nazar-ı itibara alınarak emteanın veya tabir-i umumisiyle kıymetin girdiği ve çıktığı şahıs veya yere göre aynı zamanda kayıt tutmak usulüne “usul-ı muzaaf” veya “kayd-ı muzaaf” namı verilir. *İbrahim Fazıl - 1921*

En iyi kontrol vasıtası muhasebedir. *Kırkor Kömürçiyen - 1933*