



## A NEW ACT ON EXPERT AUDITORS, AUDIT FIRMS AND PUBLIC SUPERVISION

On **21 June 2017** a new act on expert auditors, audit firms and public supervision will come into force.

The act will introduce changes primarily related to so called “public-interest entities” (including among others: issuers of securities admitted to trading on one of the regulated markets in the EU countries, banks, insurance undertakings, Open Pension Funds, investment funds, entities conducting brokerage services, cooperative savings and credit banks).

Nevertheless, some changes — in particular those amending the Accounting Act — will apply also to other entities. Below we present the major changes for companies in respect of financial audits.

**1. It will not be allowed to employ on key management positions or to appoint to entity’s bodies former expert auditors** or employees of an audit firm (being expert auditors) who directly participate in the statutory audit of the entity within 1 year of

the completion of the audit – every time the candidate for a given position will have to make a statement on fulfilment of the aforementioned requirements before assuming the position.

**2. In case of a statutory audit, an agreement with an audit firm will have to be made for at least 2 years.** The first agreement on financial statements audit with an audit firm is to be concluded for at least 2 years with a possibility of extension for at least two years’ periods.

**3. Contract clauses restricting the choice of an audit firm for the statutory audit will be deemed invalid by virtue of law.** It applies to agreements entered into by an audited entity which would be subject to restriction of the choice of an audit firm for the statutory audit of financial statements of this entity to a specific category or a list of audit firms – therefore, particularly the market

standard clauses restricting the choice of an auditor to the so called Big Four will not be allowed.

**4. An open catalogue of reasons for termination of an agreement on financial statements audit will be provided.** As was previously the case, termination of an agreement on financial statements audit will be allowed only due to a reasonable cause. As such cause the act provides for in particular the following: (i) occurrence of events preventing fulfilment of the requirements set forth by legal audit regulations, professional ethics, independence or domestic standards of practising the profession; (ii) breach of contract provisions other than those resulting in the possibility to give a qualified opinion, an adverse opinion, or disclaimer of an opinion; (iii) and transformations, ownership changes, organisational changes justifying the change of the auditor firm, or failure to conduct the audit. Both parties will be obliged to notify the National Council of Expert Auditors of the termination of the agreement.

**5. The following has been included in the catalogue of criminal offences against economic information subject to fines or restriction of personal liberty:** making agreements on financial statements audits for less than 2 years (see item 2 above); applying contract clauses restricting the choice of the audit firm (see item 3 above); termination of the agreement on financial statements audit without a reasonable cause, or failure to notify the National Council of Expert Auditors of termination of such agreement (see item 4 above).

The aforementioned changes **will apply to financial statements audits for financial years beginning after 16 June 2016**, therefore if the financial year of the company is the calendar year, the changes will apply to the financial statements audit for the financial year 2017.



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