

Quality Assurance System in Hungary

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Legal background in Hungary

- Quality assurance system started in 2003
- Monitored peer-review system was introduced
- All statutory auditors and audit firms are subject to the quality review system
 - Testing of selected files, assessment of compliance with ISAs, internal quality control of the firm, independence requirements
 - No difference between of PIEs and other entities (except for the frequency)

Introductory phase

- Reviewers are selected by tender
- Regular and specific training for reviewers
- Quality Control Committee organises the work
- System is financed by the Chamber (from membership fees)
- Penalty sanctions including the exclusion from the Chamber
- Sanction of the first review is training and repeated review
- 2.600 reviews between 2003-2007

Reaction

- No reaction from the stakeholders
- Some resistance from the practitioners
- Now the system is accepted
- No criticism because of the professional skills or independence of the reviewers

New Directive - New Law

- Implementation process of the new Directive finished, new law will be effective from 2008
- No changes in the principles of quality assurance system in the Directive
- Quality assurance system under Public Oversight from 2008
- Some modification in the quality assurance system:
 - New aspect: control of the resources, incl. audit fee
 - Extraordinary review initiated by Public Oversight Committee
 - Separate fund for financing the system
- Public Oversight Committee has right to conduct investigations and to take appropriate actions

New Recommendation – new inspection system?

- Recommendation will override the Directive?
- Equivalent to the US system?
- Separate inspection system of PIE seems unreasonable
- No potential inspectors in Hungary
- Wrong message to the stakeholders