
ANNUAL REPORT

2021



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Abbreviations

Abbreviation	Meaning
Agency, PANA	the Polish Agency for Audit Oversight
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
EIOPA	European Insurance and Occupational Pensions Authority
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board For Accountants
IFIAR	International Forum of Independent Audit Regulators
PIE	Public interest entities
CEAOB	Committee of European Auditing Oversight Bodies
PC	The Act of 6 th June 1997, Penal Code (Journal of Laws of 2021, item 2345)
AOC	Audit Oversight Commission
PFSA	The Polish Financial Supervision Authority
CAP	The Act of 14 th June 1960, Code of Administrative Procedure (Journal of Laws of 2021, item 735)
NCSA	National Council of Statutory Auditors
NAS	National Auditing Standards
NDC	National Disciplinary Court
NSQC	National Standards on Quality Control in the wording of the International Standard on Quality Control 1 (ISQC 1)
non-PIE	Entities that are not public interest entities
CPD	Continuing professional development of statutory auditors
PCSA	Polish Chamber of Statutory Auditors
EU Regulation No. 2019/815	Regulation (EU) 2019/815 of 17 December 2018, supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ EU L.2019.143.1 of 2019.05.29)
EU Regulation No. 537/2014	Regulation (EU) No. 537/2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (Journal of Laws UE L.2014.158.77 of 2014.05.27 as amended)
CSCU	Cooperative savings and credit union
EU	European Union
Accounting Act	The Act of 29 th September 1994, on Accounting (Journal of Laws of 2021, item 217, as amended)
Act on statutory auditors or the Act	The Act of 11 th May 2017, on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2020, item 1415, as amended)

Letter from the Chairman

Ladies and Gentlemen,

I am pleased to present you the report summarizing the second year of operation of the Polish Agency for Audit Oversight.

The year 2021 was another year in which the Agency continued the implementation of not only current statutory tasks, but also those taken over from its predecessor (AOC) and from the self-government of statutory auditors (PCSA). It has been a difficult year, but a fruitful one. Despite numerous obstacles, we managed to accomplish the most important tasks related to the public oversight that were assigned to us. I am particularly positive about the efficient switch, almost entirely, to remote inspections in audit firms. What could have been a short, temporary response to the challenges of the COVID-19 pandemic has become the foundation for preparing for the challenges of oversight in a digital economy. I have no doubt that it will pay off in the future. At a time when many institutions in other countries continue their supervisory activities in the current, traditional form, we have treated the threats as an opportunity to introduce changes of a systemic nature. The Agency has not only initiated many changes in the scope of regulations, but also has implemented many solutions focused on the future. In this context, I am particularly pleased with the extension of the scope of proactive activities to counteract the occurrence of findings in the functioning of audit firms and statutory auditors. Our activities in the field of broadly understood communication and market education are also extremely important.

When analysing in detail the information contained in the further part of the report, it should be remembered that many tasks performed by the Agency, by nature, extend over several reporting periods. It is particularly visible in the scope of the possibility of drawing conclusions from inspections in audit firms and related administrative and disciplinary proceedings.

An area that is still the subject of our special care is the intensification of cooperation and communication with the self-government of statutory auditors and audit firms. This resulted in the process of improving and fully adapting to the requirements of national professional standards, which took place in 2021. Thanks to these efforts, Poland (as one of the few countries in the EU) has issued a standard for auditing financial statements prepared in accordance with the ESEF standard. We also held numerous meetings, conferences and publications aimed at identifying threats to the provision of services at the highest level in accordance with the social interest and for its defence.

The Agency's activity that was significant for the market of audit firms in 2021, as part of the digital transformation, was the continuation of the implementation and further development of the STREFA system. It facilitates communication between the Agency and the audit firms, as well as improves monitoring and oversight of the audit market in Poland.

The domestic activities of the Agency were supported by further development of activities in the field of cooperation, building relationships and exchanging experiences with supervisory authorities from other countries. We are increasingly involved in the work of the most important global and European organizations associating these bodies, including IFIAR and CEAOB. As an expression of appreciation for our efforts, from December 2021, we took over the leadership of one of the five permanent subgroups under CEAOB.

We have not missed the planned changes concerning the expansion of the scope of mandatory non-financial reporting in the EU, with particular emphasis on climate and social responsibility. The expected public oversight of services related to the assurance on such reports must be associated with the development of specific competences on the part of the Agency. We will prepare for this by participating in the works of two national expert groups and using the knowledge and the experience gained during the work of CEAOB on this subject.

On the list of PANA objectives, as an ongoing task, there is also the promotion of the best audit

practices and educational activities disseminating knowledge about the importance of the profession of statutory auditor for the economy and its development. Understanding what financial statements and audit reports are and why their credibility is so important for the proper development and security of economic turnover is crucial in any modern society. It is this knowledge that largely determines the possibility of conscious participation in socio-economic processes, safe use of financial instruments and the level of corporate governance. Therefore, the Agency ensures that audit firms and statutory auditors performing audit services on their behalf act as guardians of the public interest, observing the law and the principles of professional ethics. The results of our activities were, among others, an information campaign in public media, active participation in the Ministry of Finance's initiative to facilitate the acquisition of qualifications of statutory auditors, initiating cooperation with universities, numerous meetings, conferences and publications addressed to users of financial statements, school students and everyone interested in auditing and financial reporting.

Fulfilling the Agency's tasks would not be possible without gathering and maintaining an appropriate team of people, providing them with development opportunities and tools. There is a significant shortage of highly qualified employees in the audit services market. Effective public oversight of the increasingly complex market of auditing services cannot function without a properly selected team of employees with the highest substantive and ethical qualifications. This is an area in which, unfortunately, we have not been able to achieve all the recruitment goals. Despite the huge competition, we believe that we will meet the challenge and that we will be able to attract new talents to our team in the near future.

Despite the difficulties, I believe that the oversight of the audit market in Poland will continue to develop proactively, serving to strengthen the security of economic turnover. The Agency as a supervisory authority will continue to build and strengthen its position as an institution of public trust.

1. Introduction

Financial reporting is crucial to economic development, and the financial statements themselves are becoming increasingly complex and difficult to read for non-professionals. Therefore, current and potential investors, banks, suppliers and other parties rely on the work of statutory auditors and audit firms, deciding, among others, to buy shares, bonds, grant loans or provide their own products or services with deferred payment.

Correctly prepared financial statements present a true and fair view of the financial position, assets and financial performance, which is of great importance both from the point of view of analysing the past and forecasting the future of the entity. They are free from material misstatement caused by wilful fraud or accidental errors. They also provide a high degree of certainty that taxes and other public levies have been properly settled and that the audited entity will continue its operations in the foreseeable future. Auditors acting in the public interest are responsible for verifying that the information provided by management is accurate and can be relied upon by users of the audited financial statements. Mistakes in this area can lead thousands of small investors to be misled and lose their money.

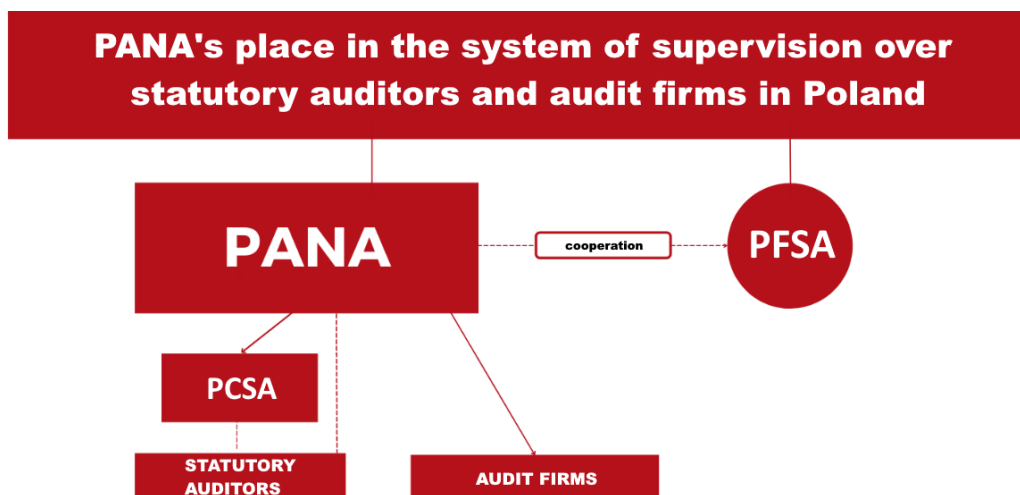
PANA was established to improve the quality and credibility of financial reporting to increase the security of economic turnover and its protection. As an institution with the status of a state legal entity, supervised by the Minister of Finance, it exercises public oversight of statutory auditors, audit firms operating in Poland and the professional self-government of statutory auditors (Polish Chamber of Statutory Auditors, PCSA). It consists of two bodies - the Chairman of the Agency and the Council of the Agency, whose tasks include monitoring the implementation of the Agency's annual action plan.

The independence of PANA is related to, among others, the foundation of its activity in the Act and EU regulations, and financing from fees imposed on audit firms. PANA ensures that auditors properly perform audits of financial statements, assurance services other than statutory audit and related services.

The main principles that the PANA follows in the performance of its tasks include:

- ✓ acting in the public interest and not in the particular interest,
- ✓ maintaining a dialogue with all parties interested in improving the reliability of financial reporting,
- ✓ scope of activities and tools strictly defined by law,
- ✓ ensuring equal opportunities and clear operating conditions for all statutory auditors and audit firms,
- ✓ ensuring openness and transparency of operations where possible (while ensuring the protection of confidential information).

2. System of public oversight in Poland



PANA own study

2.1. PANA

Polish Agency for Audit Oversight exercises public oversight of statutory auditors, audit firms operating in Poland and the professional self-government of statutory auditors. Acting in the public interest, the Polish Agency for Audit Oversight strives to ensure the highest quality and reliability of audits of financial statements, as well as assurance services other than statutory audit and related services.

PANA own study



The bodies of the Agency are the Chairman of the Agency and the Council of the Agency. The Chairman performs the Agency's tasks, with the exception of the tasks reserved for the Agency Council by the provisions of the Act.

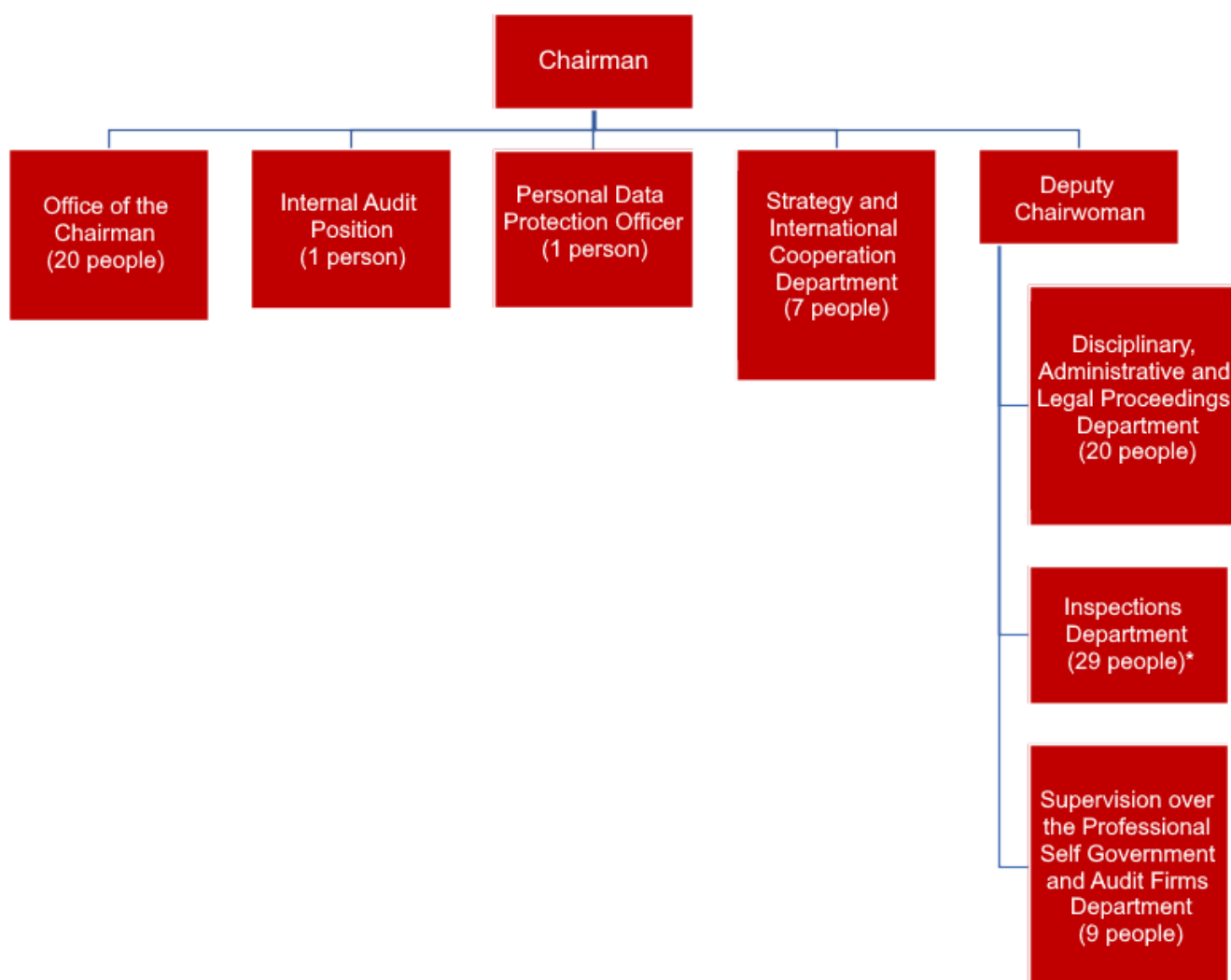
The composition of the PANA Council

Chairman of PANA	
Marcin Obroniecki	
Deputy Chairwoman of PANA	
Justyna Adamczyk	
Representatives of the minister responsible for public finance	
Aleksandra Ostapiuk Katarzyna Przewalska	
Representatives of the Polish Financial Supervision Authority	
Paweł Rudolf (to 20 December 2021) Marcin Mikołajczyk (from 20 December 2021) Magdalena Wysocka	
Representative of the Minister of Justice	
Tomasz Janik	
PCSA representative recommended by the National Council of Statutory Auditors	
Joanna Wielgórska-Leszczyńska	
Representative of employers' organizations	
Piotr Kamiński	
Representative of the Warsaw Stock Exchange	
Jacek Fotek	

PANA own study

In 2021, 15 meetings of the Agency Council were held. Moreover, 9 votings by circulation on the resolutions of the Council took place.

Organizational structure of the Agency and employment

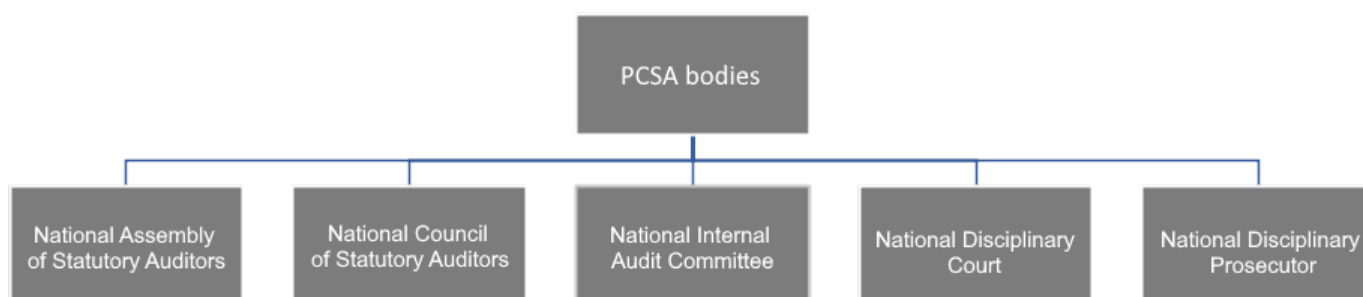


* The Inspections Department also used the services of experts referred to in Article 109 (1) of the Act on statutory auditors.

PANA own study

2.2. Polish Chamber of Statutory Auditors

The Polish Chamber of Statutory Auditors (PCSA) is a professional self-government associating all statutory auditors in Poland.



PANA own study

PANA OVERSIGHT

PCSA activities

establishing national professional standards, national standards on quality control and rules of professional ethics

representing members and protecting their professional interests

monitoring of the fulfilment by statutory auditors of their tasks in regard to CPD and conducting related disciplinary proceedings

performance of tasks aimed at the proper performance of the profession of statutory auditor and compliance with the rules of professional ethics by members of the PCSA

cooperation in shaping the principles of accounting and audit

PANA own study pursuant to Article 25 of the Act on Statutory Auditors

The PCSA is supervised by the PANA through:

- approving resolutions of PCSA bodies regarding, in particular, the establishing National Professional Standards, National Standards on Quality Control and rules of professional ethics for statutory auditors, regulations on obligatory professional development for statutory auditors, qualification procedure for candidate statutory auditors;
- appealing to the administrative court against the resolutions of PCSA bodies in the cases specified in the Act;
- analysing the judgments of the National Disciplinary Prosecutor and National Disciplinary Court in the context of the legitimacy of lodging appeals pursuant to Article 164 (2) and Article 152a of the Act on statutory auditors;
- examining appeals against resolutions of PCSA bodies to which the provisions of the Code of Administrative Procedure apply.

Information on the activities of PCSA bodies and the Examination Commission can be found on the following websites:

- [Report on the activities of the National Council of Statutory Auditors for 2021¹](https://pana.gov.pl/wp-content/uploads/2022/05/Sprawozdanie-KRBR-za-2021-rok.pdf)
- [Report on the activities of the National Audit Committee for 2021²](https://pana.gov.pl/wp-content/uploads/2022/05/Sprawozdanie-KKR_2021.pdf)
- [Report on the activities of the National Disciplinary Prosecutor for 2021³](https://pana.gov.pl/wp-content/uploads/2022/05/Sprawozdanie_KRD_za_2021.pdf)
- [Report on the activities of the National Disciplinary Court for 2021⁴](https://pana.gov.pl/wp-content/uploads/2022/05/Sprawozdanie_KSD_za_2021.pdf)
- [Report on the activity of the Examination Board for 2021⁵](https://pana.gov.pl/wp-content/uploads/2022/05/Sprawozdanie-KE_2021.pdf)

¹ <https://pana.gov.pl/wp-content/uploads/2022/05/Sprawozdanie-KRBR-za-2021-rok.pdf>

² https://pana.gov.pl/wp-content/uploads/2022/05/Sprawozdanie-KKR_2021.pdf

³ https://pana.gov.pl/wp-content/uploads/2022/05/Sprawozdanie_KRD_za_2021.pdf

⁴ https://pana.gov.pl/wp-content/uploads/2022/05/Sprawozdanie_KSD_za_2021.pdf

⁵ https://pana.gov.pl/wp-content/uploads/2022/05/Sprawozdanie-KE_2021.pdf

2.3. The Polish Financial Supervision Authority

Polish regulations entrust the Polish Financial Supervision Authority with some tasks related to the exercise of public oversight of the market of audit firms. The PFSA exercises public supervision over the application by PIE of the provisions of Title III of EU Regulation No 537/2014, and also performs the tasks provided for by the competent authority, indicated in Article 16 (3) (f) and Article 17 (6) of the above-mentioned regulation. It also monitors compliance with the provisions on the appointment, composition and operation of the audit committee, supervisory board or other supervisory or control body in the event of entrusting them with the functions of the audit committee.



**with reference to Regulation (EU) No 537/2014 of the European Parliament and of the Council
PANA own study*

Information on the performance by the PFSA of the tasks provided for in the Act on statutory auditors can be found in the annual reports on the activities of the Polish Financial Supervision Authority.⁶

⁶ https://www.knf.gov.pl/publikacje_i_opracowania/sprawozdania

2.4. The audit market in Poland in numbers

1364

at the end of 2021, this is how many companies were on the auditing companies list of PANA

1288

annual reports submitted in the STREFA teleinformation system*

* with regard to the reporting obligation referred to in Article 51 of the Act on statutory auditors, as of 12 April 2022

5238

number of statutory auditors in Poland

2745

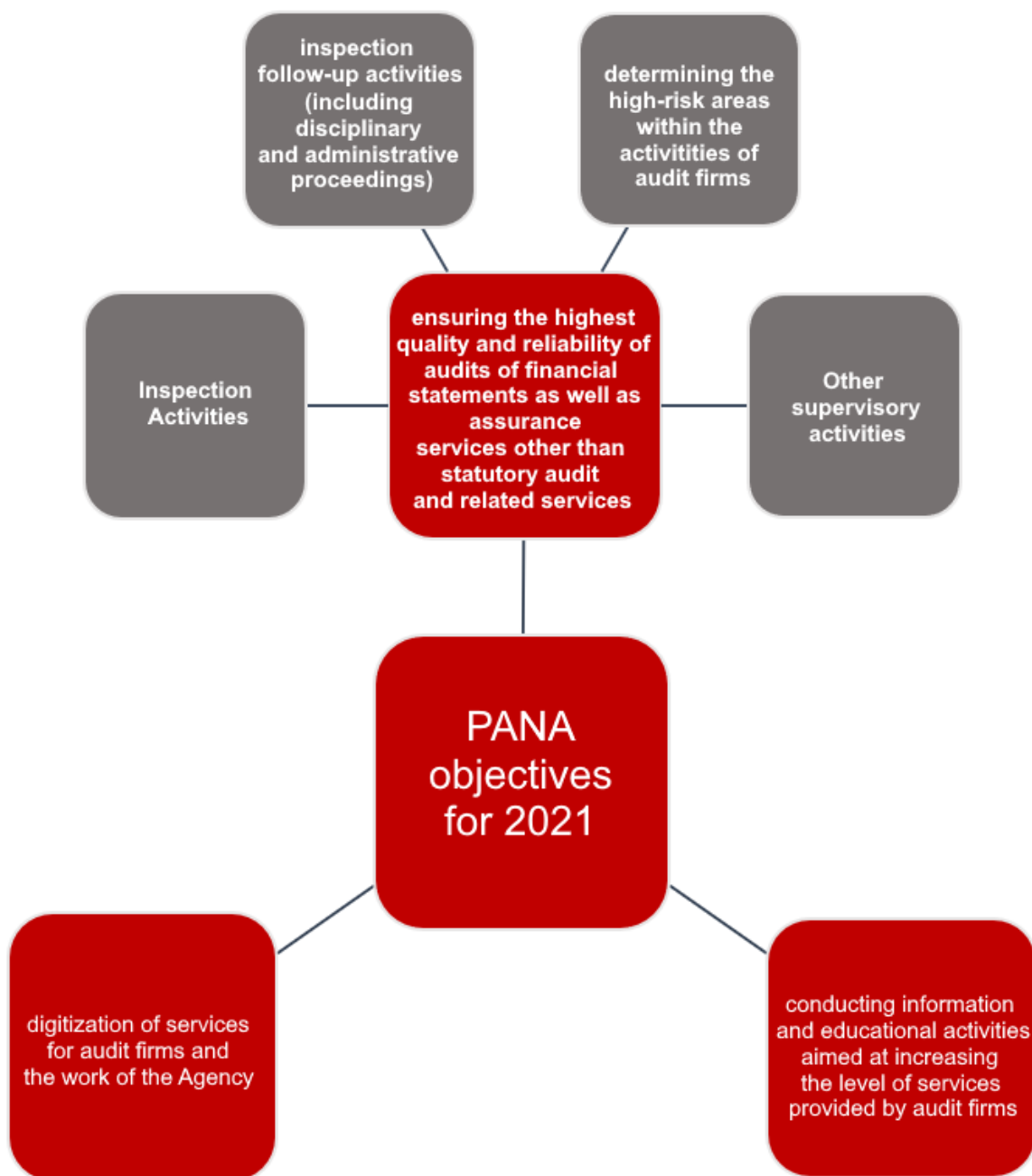
statutory auditors declaring the performance of the profession

As of 31 December 2021.

A more detailed description of the issue can be found [in the publication of PANA⁷](https://pana.gov.pl/komentarze-i-opracowania/uslugi-firm-audytorskich-w-2021-roku-analiza-na-podstawie-sprawozdan-rocznych/).

⁷ <https://pana.gov.pl/komentarze-i-opracowania/uslugi-firm-audytorskich-w-2021-roku-analiza-na-podstawie-sprawozdan-rocznych/>

3. Implementation of tasks resulting from the PANA annual action plan for 2021.



PANA own study on the basis of the Action Plan of the Polish Agency for Audit Oversight for 2021 adopted on 30 December 2020 in the Agency Council Resolution No. 31/I/2020.

The implementation of the objectives contributed to the achievement of the following results:

Objective	Result
Determining the areas of the greatest risk within the activities of audit firms	An inspection plan was prepared for the period from 1 July 2021 to 30 June 2022, based on the performed risk analysis.
Inspection activities	In 2021, the implementation of inspection plans (adopted but not implemented) by the Audit Oversight Commission for the period 2018/2019, 2019/2020 and the first half of 2020 was completed in the scope related to statutory audits of entities other than PIEs, as well as in the field of assurance services other than statutory audits or related services. In addition to these plans, the implementation of the 2020/2021 inspection plan was completed in relation to PIEs and almost 70% in relation to entities other than PIEs. The implementation of the inspection plan 2021/2022 and thematic inspections were launched. The Agency also carried out ad hoc inspections. In 2021, the group of inspectors and experts was enlarged.
Inspection follow-up activities	The Agency verified the implementation of inspection follow-up recommendations and initiated proceedings resulting from inspection recommendations. The Agency provided inspection follow-up information in the form of publications to ensure that it could be used effectively in the activities of the Agency and audit firms.
Other supervisory activities	The Agency supervised the thematic scope of obligatory professional development for statutory auditors and provided inspection follow-up information supporting the programming of training. The Agency oversaw the establishment of national professional standards (e.g. ESEF standard) as well as National Standards on Quality Control and rules of professional ethics. The Agency undertook activities aimed at improving and developing cooperation with PCSA and increasing the efficiency of using information on the activities of audit firms.
Digitization of the service of audit firms and the work of the Agency	Implementation and development of electronic communication tools, including those for reporting by audit firms, and the digitization of proceedings and inspections; increasing the level of digitization of the Agency's operations.
Conducting information and educational activities aimed at increasing the level of services provided by audit firms	The Agency carried out activities aimed at broadening the knowledge of citizens and entrepreneurs on the importance of audits of financial statements and other services provided by audit firms for the security of economic turnover. Activities included the organization of conferences, participation in conferences of other entities, publications and interviews. The aforementioned activities raise awareness of the functioning of the market of statutory auditors and audit firms.

3.1. The impact of the pandemic on the activities of PANA and its effects

In 2021, due to the COVID-19 epidemic throughout the country, PANA mainly performed its tasks remotely. In addition to the earlier changes in the perform of remote inspections and the digitization of communication with audit firms, it also influenced:

- carrying out procedural activities with the participation of the parties in administrative proceedings under conditions of increased sanitary standards (administrative hearings and interrogations of witnesses);
- preparation of appropriate spaces at the seat of the Agency, which allow to carry out activities remotely, while maintaining the appropriate sanitary requirements on site;
- making available (in the form of public information) individual documents or files of

administrative proceedings also by means of electronic communication (e-mail, appropriate IT software and external data carriers);

- recommendation for parties in disciplinary proceedings to submit written explanations.

On 8 December 2021, the Act of October 14, 2021 amending the Accounting Act (Journal of Laws of 2021, item 2106) entered into force, which introduced amendments to the Act of May 11, 2017 on statutory auditors, audit firms and public oversight with regard, among others, to establishing that inspections in audit firms take place remotely.

Despite the fact that until December 2021 it was not mandatory, 97% of audit firms inspected by PANA accepted the remote form of inspections.

4. The implementation of statutory tasks by PANA in 2021

PANA, as a supervisory authority, has a number of tools enabling the performance of statutory tasks, including activities aimed at the proper functioning of the market of statutory auditors and audit firms (Article 90 (1) (15a) of the Act on statutory auditors).

The oversight exercised by PANA over the market of audit firms contributes to the continuous improvement of audit quality in Poland, which in itself is the strategic goal of the Agency. This goal is achieved not only by findings in audits of financial statements, but also by preventing their occurrence.

4.1. Inspection activities

One of the tasks of the Agency as part of the functioning of the quality assurance system of the operations of audit firms is the inspection activities. PANA's approach to Inspection activities is based on a systematic risk analysis performed by the Agency. Risk analysis allows you to select the areas of greatest risk. After designating such areas within specific audit firms, it is verified to what extent the internal quality control systems of individual audit firms are able to ensure the highest quality of services (with particular emphasis on audits of financial statements and consolidated financial statements) provided by entities supervised by PANA. During the inspection, it is tested on individual audit files (or documentation of performed engagements) whether the designed internal quality control system was able to meet the high-quality requirements with respect to audit firms and statutory auditors.

As a result of the inspections carried out, publications appeared indicating the need to correct the observed findings⁸. Information on particularly important issues was also provided during speeches at conferences, contributing to the popularization of best practices.

4.1.1. Determining the areas of greatest risk within the activities of audit firms

In 2021, the Agency, in cooperation with the Polish Financial Supervision Authority and the Stock Exchange, built a database of entities of particular importance for the stability of the market and the security of economic turnover. These entities include issuers of securities on the primary or alternative market, commercial banks, cooperative banks, investment funds, domestic payment institutions. Thanks to the constant collection of publicly available information (including information appearing in media publications), analysis of internal PANA databases, analysis of annual reports prepared by audit firms, the Agency established the next annual inspection plan 2021/2022.

⁸ <https://pana.gov.pl/komentarze-i-opracowania/wymogi-dokumentowania-badania-sprawozdan-finansowych-wybrane-elementy-w-kontekście-przeprowadzonych-kontroli/>

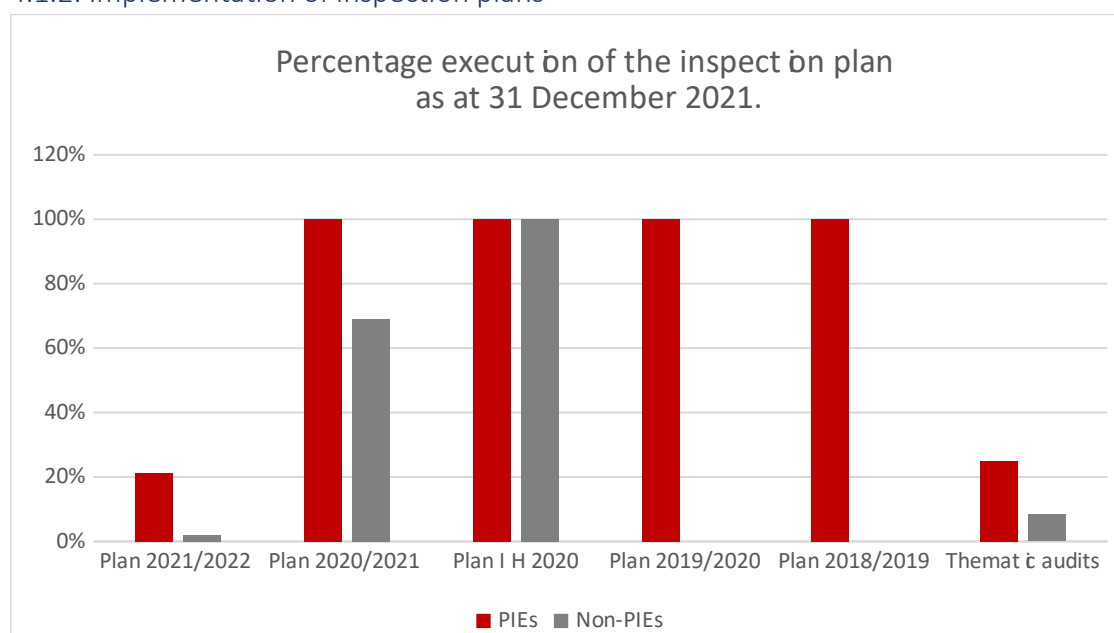


PANA own study

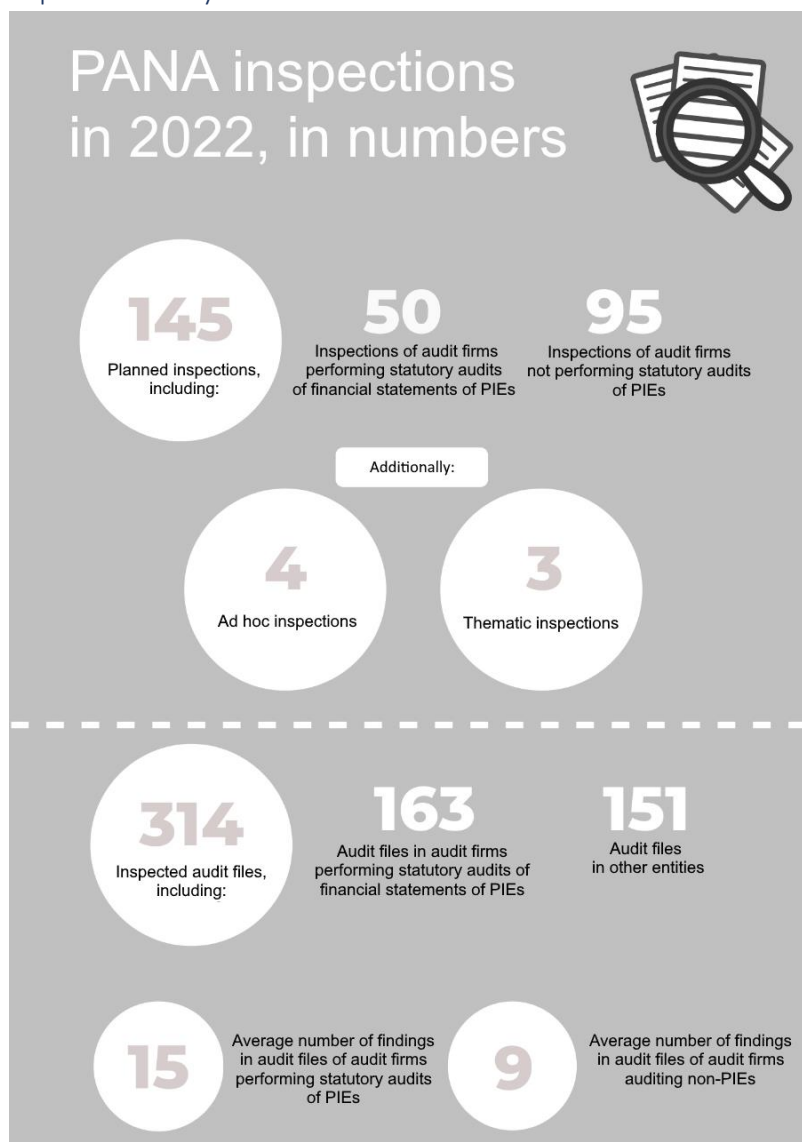
The Agency also analysed the specific risks arising from significant investments in organized OTC markets and alternative trading systems. At the same time, the results of the inspections clearly showed the existing findings in the audits of the financial statements of these entities. Therefore, the Agency decided to perform thematic inspections with regard to 20 audit firms auditing entities listed as organized OTC markets and alternative trading systems. To this end, the Agency prepared a list of issues to be verified and launched thematic inspections in October 2021. Completion of thematic inspections is planned for June 2022.

In 2021, the Polish Agency for Audit Oversight continued the implementation of inspection plans adopted (not implemented) by the Audit Oversight Commission for the period 2018/2019, 2019/2020 and the first half of 2020 in the scope regarding statutory audits of entities other than PIEs, as well as in the field of assurance services other than statutory audit and related services. In addition to these plans, the Agency also continued the implementation of the 2020/2021 annual inspection plan approved by the PANA Council and started the implementation of the 2021/2022 inspection plan and thematic inspections. The Agency also carried out ad hoc inspections.

4.1.2. Implementation of inspection plans



4.1.3. Inspections performed by PANA



PANA own study

Improving the quality of audit in Poland takes place both by detecting and (depending on the severity of the violation) sanctioning findings, but also by preventing their occurrence.

In terms of inspections carried out by PANA in 2021, the following practices that contributed to the improvement of the quality of audit in Poland can be listed:

1. **Development of the team of inspectors.** In 2021, the Agency carried out activities for the development of substantive and social competences among the team of auditors. A fine example is the **Inspector Academy** established in PANA, where statutory auditors working in the Agency who want to become inspectors in the future, acquire appropriate skills under the mentor supervision of senior audit inspectors.
2. **Development of inspection procedures.** In February 2021, the second version of the *Inspection Control Policies and Procedures* was introduced. In the document:

- descriptions of the method of grouping information during the inspection have been added;
- amended templates of attachments were added, with particular emphasis on the inspection report template, thanks to which the audit firm may share the audit results indicated in the first part, e.g. with audit committees or supervisory boards;
- there now is a separate specialized procedure for informing the relevant authorities about circumstances that may indicate illegal activities that were identified during the inspection.

As a result of the inspections carried out and the identified risks during the inspections, it turned out to be necessary to adopt a different approach to designing inspection plans and to single out a few additional inspection plans. This approach allows for the construction of specialized teams and inspection procedures in relation to firms auditing financial entities (including cooperative banks and CSCU), insurance companies and reinsurance companies, and in relation to companies auditing entities operating under the *Act on investment funds and managing alternative investment funds*.

Due to the introduction of changes to the *Act of 11 May 2017, on statutory auditors, audit firms and public oversight* and the experience gained, the appendices completed by both audit firms and inspectors were optimized. This translated into updating the *Inspection Policies and Procedures* in December 2021. The key changes in the new version are:

- taking into account the amendment to the Act in the field of remote inspections and professional IDs,
 - singling out of other inspection plans,
 - update of attachment templates.
3. **Focus on risks.** The performed analysis of annual reports submitted by audit firms to PANA in electronic form for the first time. The analysis of the inspection results effected in a decision to single out inspection plans for high-risk entities. In addition, the focus was on inspections in relation to audits atypical for a given audit firm, audits with low labour-intensity of activities performed by the statutory auditor. Due to the extremely high risk related to the significantly increased turnover on non-regulated markets and in response to the findings noticed in the inspections, a thematic inspection was also initiated with regard to services provided to entities listed on organized OTC equity markets operating outside the regulated market in alternative trading systems.
 4. **Commencement of the identification of possible automated analyses based on the data gathered by the Agency.** The analysis of annual reports submitted by audit firms provided the first data set that may contribute to the automation of certain elements of inspections in the following years. The first elements that may be automatically analysed in the future are the concentration limits described in Article 70 of the *Act on statutory auditors*. Another element that may be analysed automatically in the future is the correctness of the annual reports. In 2021, the annual reports were checked for compliance with the records of PIEs and reports on

the audits of joint-stock companies. After obtaining extended access to data, the Agency will strive to automate this process to a greater extent.

5. **Communicating "best practices".** In the inspection reports, the Agency formulates detailed comments on the correctness of the procedures performed by statutory auditors. Thanks to the analysis of inspection protocols and annual reports of audit firms, it was possible to disseminate publications on best practices on the PANA website and in the monthly "*Rachunkowość*" magazine.
6. **Communication with the inspected entities and other entities involved in the inspections.** The Agency participated in conferences and seminars presenting information on problems identified during inspections.

PANA performs analytical activities on an ongoing basis. Both the market of audit firms and the micro and macroeconomic environment are monitored. In addition to the conclusions directly affecting the execution of inspections, the Agency identified additional issues arising from the analyses carried out in 2021:

- too few audits of the financial statements of joint-stock companies in relation to the number of registered and active joint-stock companies,
- significant risks existing in relation to certain groups of entities, which, in the opinion of the Agency, indicates the need to extend the catalogue of PIEs in order to include stricter supervision by relevant authorities,
- specific risks related to the problem of Swiss franc mortgage loans in connection with the implementation of IFRS 9 and in connection with the announced stricter control of disclosures in this respect by ESMA.

4.1.4. Collective information on the findings and conclusions of the inspections carried out in audit firms

In 2021, the Agency analysed 106 audit reports and annual reports of audit firms, thanks to which a number of publications were made available on the PANA website.

Main findings with regard to the functioning of the internal quality control system were identified in the case of:

- audit firms belonging to international corporations it is poor adjustment to Polish conditions and the Polish Act on statutory auditors.
- firms auditing PIEs, but not belonging to international corporations, it is primarily the lack of proper monitoring, inspection and engagement quality control.
- other audit firms (especially micro-entities), the main problem is, above all, the lack of cooperation with other statutory auditors, which would allow them to improve their performance quality through better monitoring, engagement quality control or consultations.
- all audit firms, to correctly determine the workload of engagement in the context of the level of the quality control system.

A more detailed description of the conclusions in this respect can be found in the study on [findings in the operation of quality control systems](#).

With respect to audit of financial statements documentation, the most common problems are correctly identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, and collecting sufficient appropriate audit evidence. A more detailed description can be found in the study on [findings in documents of audits of financial statements](#)⁹.

An additional significant problem noticed in the inspected audit files, both of the financial statements and the consolidated financial statements, were findings in the audit of estimates concerning:

- examining the impact of events after the balance sheet date on the correctness of the estimate,
- checking the data sources on the basis of which management established the value of the estimates,
- inconsistencies in the models used to measure fair value and the assumptions related to these models,
- incorrect assessment of the rationality of estimates and their misstatements,
- inadequate documentation of the basis for the conclusions drawn by the statutory auditor,
- improper documentation of indications of possible management bias in relation to estimates.

A more detailed description can be found in the study on [findings in the scope of documenting the audit of fair value estimates](#)¹⁰.

In the case of the documentation of the audit of the consolidated financial statements, the main findings concerned the documentation of activities by the auditor of the following issues:

- learning about the capital group (including the identification of the components),
- understanding the consolidation process,
- procedures for checking whether the data of the entities included in the consolidation are included in the consolidated financial statements in accordance with the same financial reporting framework developed by the parent company,
- checking whether the data of the entities covered by the consolidation has been entered into the consolidation worksheets,
- checking the completeness and correctness of determining consolidation adjustments and eliminations,
- checking the completeness and correctness of introducing the individual elements of the financial statements of the entities subject to consolidation into the sum of consolidation adjustments and exclusions.

A more detailed description can be found in the study on [findings in the scope of documenting the audit of consolidated financial statements](#)¹¹.

The Agency also shared detailed statistics (along with the indication of individual standards and their paragraphs) with the PCSA Education Center, so that they could be used in the development of training

⁹ <https://pana.gov.pl/komentarze-i-opracowania/podsumowanie-kontroli-przeprowadzonych-przez-pana-do-konca-czerwca-2021-r-wybrane-zagadnienia/>

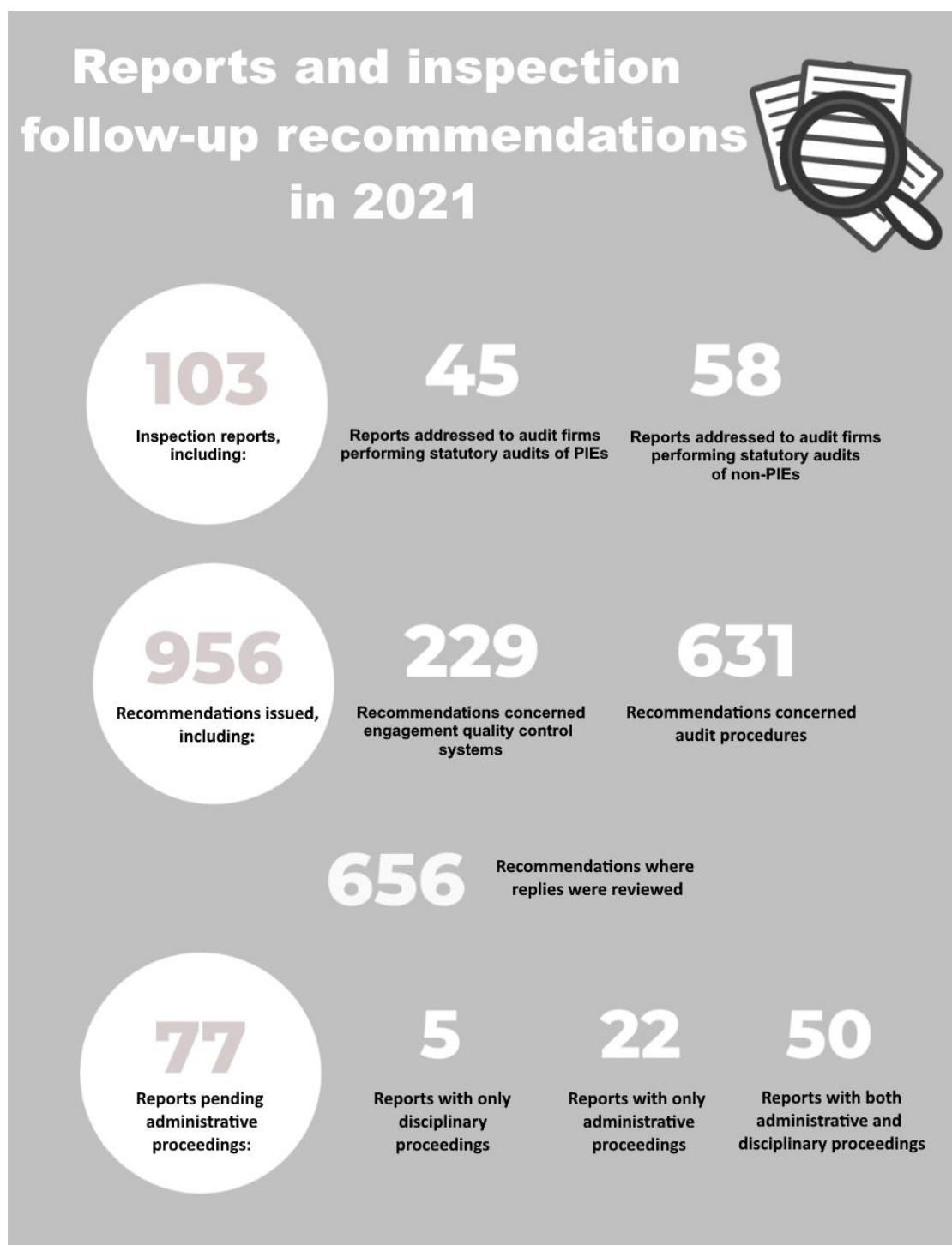
¹⁰ <https://pana.gov.pl/komentarze-i-opracowania/podsumowanie-kontroli-rozpoczetych-przez-pana-do-konca-czerwca-2021-r-w-odniesieniu-do-szacunkow-w-wartosci-godziwej-2/>

¹¹ <https://pana.gov.pl/komentarze-i-opracowania/podsumowanie-kontroli-rozpoczetych-przez-pana-do-konca-czerwca-2021-r-w-odniesieniu-do-badania-sprawozdan-skonsolidowanych-wybrane-zagadnienia/>

materials and during training courses for statutory auditors. The Agency also participated in national and regional conferences for statutory auditors, during which the results of the inspections were discussed.

4.1.5. Monitoring the implementation of inspection follow-up recommendations

During planned inspections carried out by PANA, the implementation of recommendations from previous inspections was verified, and in the case of failure to comply with inspection follow-up recommendations, the necessity to perform administrative proceedings in connection with the failure to comply with the recommendations of the previous inspections was enforced in individual cases.



PANA own study

4.2. Administrative proceedings against audit firms and disciplinary investigations against statutory auditors

As a result of findings identified by the Agency, administrative proceedings may be initiated against audit firms and disciplinary investigations against statutory auditors in relation to findings concerning the services performed.

Administrative proceedings may lead to administrative penalties being imposed on audit firms. For the administrative torts described in Article 182 of the Act on statutory auditors, the Agency shall impose penalties on the audit firms referred to in Article 183 of this Act. These penalties are of a repressive and educational nature and are imposed in order to enforce the compliance with the applicable legal order. They are therefore intended to prevent future violations by being a noticeable detriment in response to the violation.

Taking the correct decision to impose a penalty adequate to the violations committed requires the individualisation of the circumstances that determine the grounds and scope of liability of the subject pursued for punishment. This is done by adjusting the detriment (sanction) to be administered to the specific circumstances of the individual case and subject. When adjudicating penalties, the Agency is guided by the relevant (statutory) conditions for imposing penalties, enabling the correct selection of the type of penalty, and in the case of selecting a penalty measure to be assessed - also its size. The provisions of the Act do not bind individual types of punishment to specific types of administrative torts. This means that the legislator has left a wide discretion to the Authority as to the choice of the penalty and its size. The administrative penalty must be proportional to the violations and commensurate with the fault.

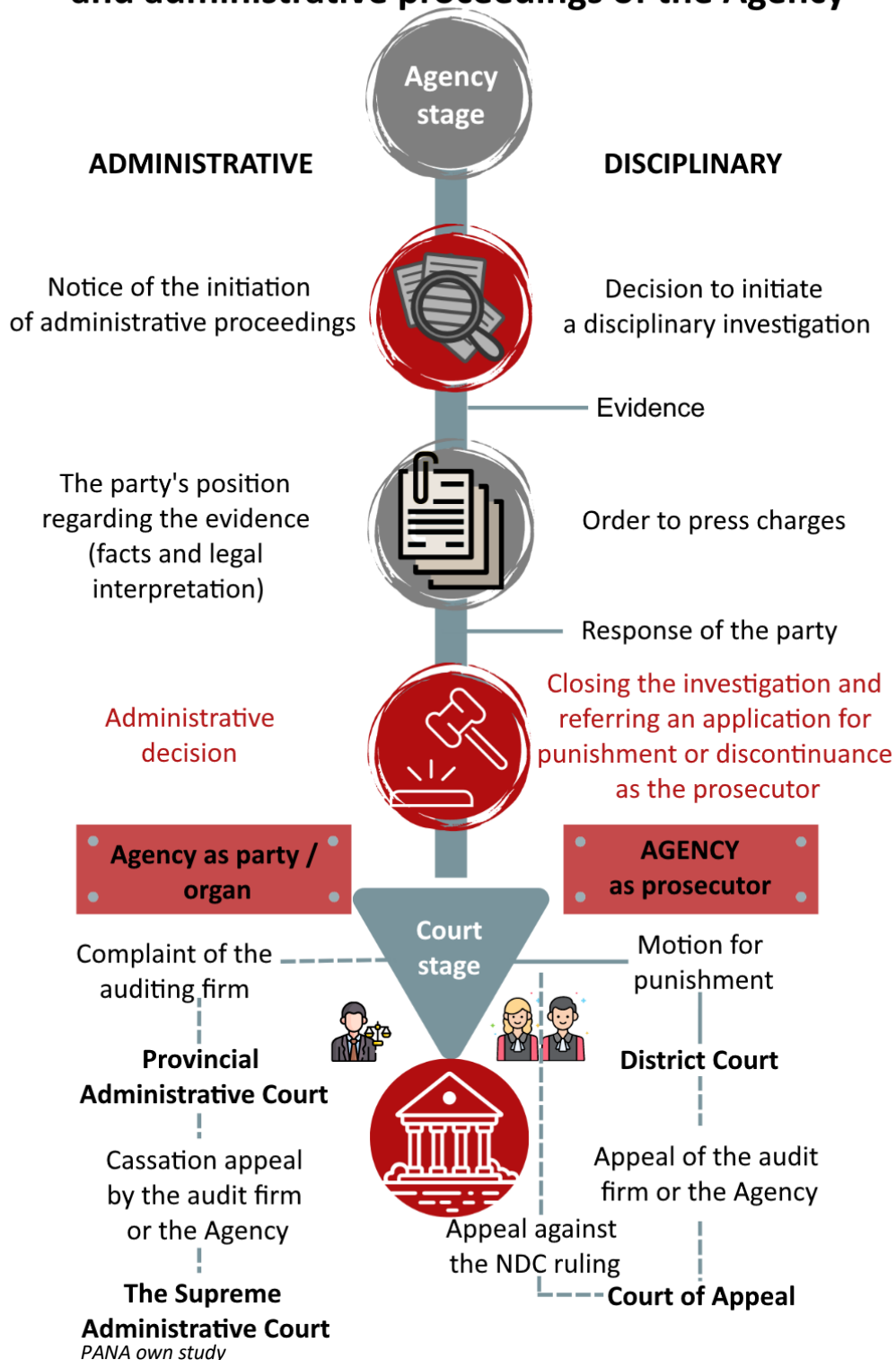
The most important criterion for selecting the type of penalty and its size is the severity of the infringement. The assessment of the severity of the infringement takes place in the context of the need to protect important public interest. There is no doubt that the certainty and security of economic turnover, including the correctness of assurances as to the economic and financial condition of entities, in particular with regard to PIEs, constitute an important public interest, justifying assigning it the highest priority of legal protection. Therefore, the Agency considers the violations affecting the certainty and security of economic turnover to be the most serious. The gradation of the severity of violations is made taking into account their material importance. The lowest weight is assigned to individual infringements of a formal nature.

The scale of violations is also important for the selection of the type and size of the penalty. Even purely formal violations may lead to the application of a severe sanction if their severity (number, frequency or duration) is significant. A large number of violations, high frequency of their occurrence and long-term persistence indicate an inappropriate approach to the performance of its duties by the audit firm. Disciplinary penalties have functions similar to administrative penalties imposed in administrative proceedings which may be imposed on statutory auditors by common courts in disciplinary proceedings. When formulating applications to courts for imposing disciplinary penalties, the Agency follows the same considerations as in the case of imposing administrative penalties.

When selecting the type of administrative penalty or requesting a disciplinary penalty, the Agency shall also take into account the impact of violations committed by the audit firm or the statutory auditor on the perception and reputation of audit firms and trust in the profession of a statutory auditor. Such violations may cause damage, sometimes very serious damage, to the image of an audit firm as an entity systemically authorized to perform financial audit activities, to issue assurances of a very

significant importance for economic turnover. The image of persons performing the profession of statutory auditor may also be impaired as a result of a improper operation of the audit firm or statutory auditor - persons who should enjoy a good repute and the highest public confidence. Very significant breaches that have consequences in economic turnover may be perceived as detrimental to confidence in financial audits and as undermining confidence in economic turnover.

Main stages of disciplinary and administrative proceedings of the Agency



4.2.1. Actions in the field of administrative proceedings against audit firms

Both inspection follow-up administrative proceedings and other administrative proceedings were performed in connection with infringements committed by audit firms, which were indicated in Article 182 (1) of the Act.

Inspection follow-up proceedings pursued by the Agency usually concern from a few to a dozen violations committed by the audit firm. Sporadically, post-inspection administrative proceedings concern a single violation. The performed inspection follow-up proceedings are characterized by a high degree of complexity related to the factual and legal situations described in the inspection protocols.

The Agency also pursued violations concerning: failure to pay fees for oversight or its settlement, failure to submit annual reports by audit firms, e.g. failure to prepare, publish and update a transparency report and inform the Agency about the publication of the transparency report.

Number of administrative proceedings in 2021 regarding the imposition of an administrative penalty on audit firms



215

Administrative proceedings
conducted by PANA, including:

47

Administrative (post-inspection) proceedings regarding
the imposition of an administrative penalty regarding findings
identified during inspections performed in audit firms

168

Administrative proceedings (other) in respect of violations
related to non-payment of the oversight fee, transparency
reports, reporting for the Agency.

167

decisions on the imposition of an
administrative penalty on an audit firm
were issued by PANA in 2021, including:

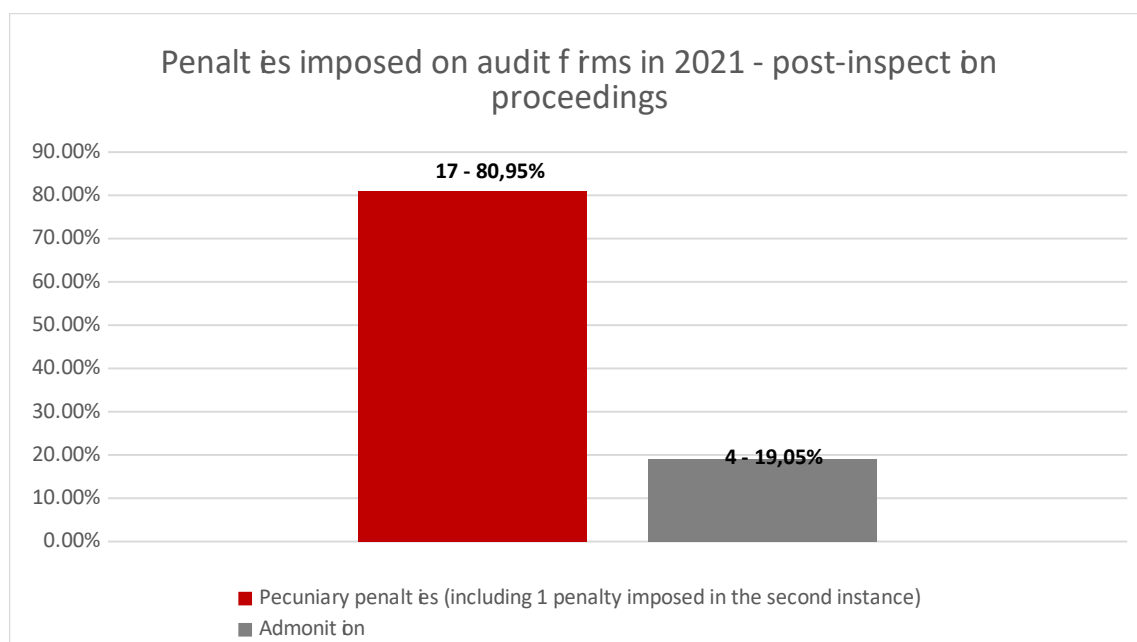
22

in post-inspection proceedings

145

in the remaining proceedings

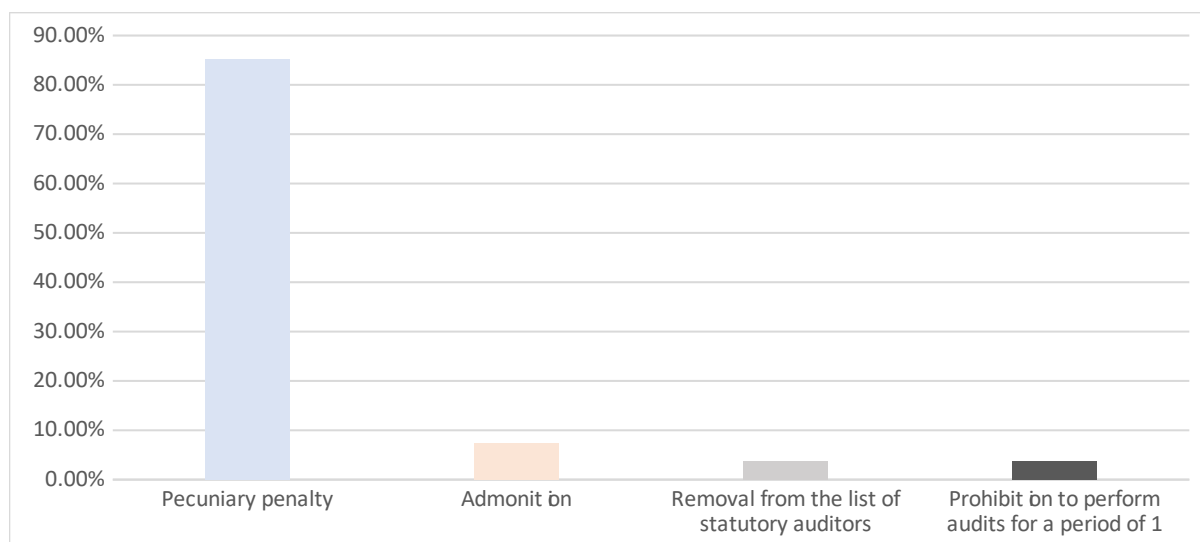
PANA own study



PANA own study

In 2021, as part of post-inspection proceedings, the Agency issued 1 decision not to impose an administrative penalty and dismiss the proceedings in the case.

Penalties imposed on audit firms in 2021 - other proceedings



PANA own study

In 2021,
PANA issued

40

decisions imposing fines on
audit firms in the total
amount of

PLN 344,000

this money is the income
of the state budget

Making decisions available to the public



14

published decisions on the
imposition of an administrative penalty
in post-audit proceedings

2

published decisions on violations of the
oversight fee, transparency report,
and reporting to the Agency

List of court and administrative proceedings with the Agency's participation in 2021



12

Court and administrative proceedings

10

Proceedings before the Supreme
Administrative Court

2

Proceedings before the Provincial Administrative
Court in Warsaw "WSA"

4.2.2. Activities in the field of disciplinary proceedings against statutory auditors

The Agency performs disciplinary proceedings against statutory auditors with regard to disciplinary offences referred to in Article 139 (2) of the Act, except for offences related to the performance of duties related to membership in the professional self-government of statutory auditors.

Number of disciplinary proceedings against statutory auditors conducted by the Agency in 2021



116

Disciplinary investigations underway, including:

81

Proceedings initiated in 2021

35

Cases continued from previous years

17

Disciplinary proceedings conducted by the NDP and the NDC, in which PANA participated in 2021

Results of disciplinary proceedings conducted by PANA



8

Completed disciplinary proceedings

2

Referrals to the court for voluntary submission to a penalty

1

Referral to the court for punishment

3

Discontinued proceedings

2

Combined with other disciplinary proceedings

In addition, in 2021, the Agency refused to initiate 1 disciplinary investigation and in one disciplinary proceeding, the court issued a final judgment imposing the penalty of prohibiting the performance of financial audit activities for a period of 1 year.

List of penalties imposed by the National Council of Statutory Auditors and the Agency on audit firms and penalties imposed on statutory auditors by the NDC and common courts in 2021.

Type of penalty	Penalties imposed on audit firms auditing PIE or statutory auditors providing services to them	Other penalties imposed on audit firms or statutory auditors
Admonition	2	25
Pecuniary penalty	2	121
Prohibition of: <ul style="list-style-type: none"> performing audits provision of services covered by the national professional standards performing financial audit activities 	2	8
Prohibition of performing the function of a member of the management board or other management body or a member of the supervisory board or other supervisory body in audit firms	-	-
Removal from the list (register)	-	3
Public disclosure of the findings and the penalties imposed	2	25
Determining whether the audit report meets the requirements referred to in Article 83 and Article 10 of Regulation No 537/2014 - in the case of PIE audit	1	22

PANA own study

4.3. Other supervisory actions taken

4.3.1. Maintaining a list of audit firms

In 2021, the Agency received 705 requests from audit firms to update the data on the list. Compared to 2020, the number of updates increased by 13%. The scope of changes on the list of audit firms concerned mainly data on statutory auditors, partners, members of the management board, addresses and related entities.

Entries and removals of audit firms in 2021



**1,364 audit firms were registered as of December 31, 2021
on the list of audit firms kept by PANA.**

During 2021:

24

audit firms were entered
on the list of audit firms

65

audit firms were removed
from the list of audit firms, including:

30

audit firms upon request of the Agency's decision

11

audit firms through the so-called statutory removal

20

audit firms due to the removal from the register of
the statutory auditor who performed the profession
in the form of conducting business on his own behalf
and on his own account

4

audit firms deleted by a material and technical
activity based on resolutions adopted by the
National Council of Statutory Auditors (applies to
proceedings initiated before December 31, 2019)

PANA maintains a **list of third-country audit entities**¹². As of 31 December 2021, no third-country audit entities were registered on the list.

Entry on the list of third-country audit entities shall, upon request, be granted to an audit entity coming from a third country that intends to carry out audits or already audits the financial statements of an entity registered in a third country, whose securities are admitted to trading on the regulated market of the Republic of Poland, after meeting the conditions specified in the Act¹³.

As part of the proceedings for entry on the list of third-country audit entities, as at 31 December 2021, the Agency issued 1 decision discontinuing the proceedings pursuant to Article 105 of the Code of

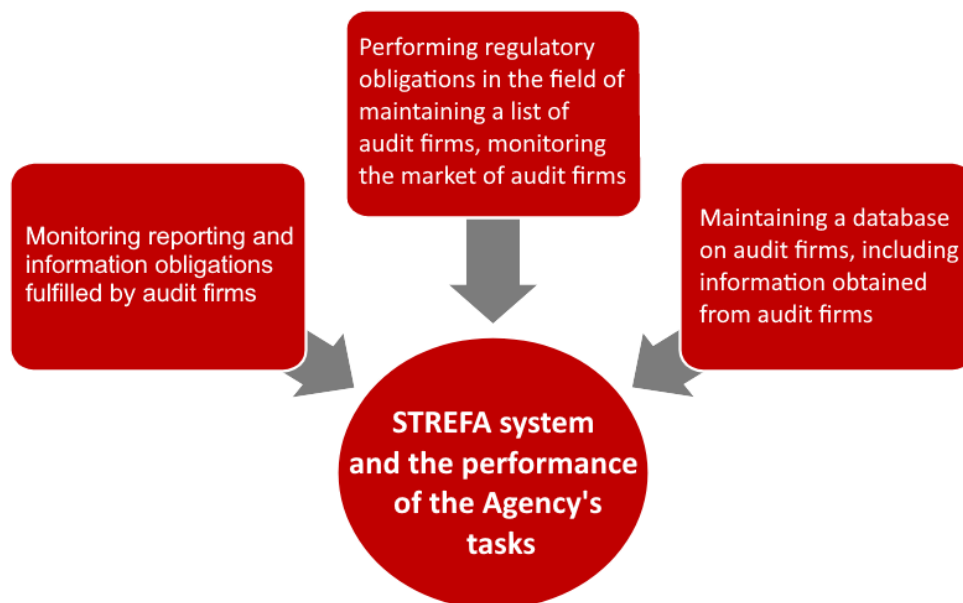
¹² Pursuant to Article 204 of the Act on Statutory Auditors

¹³ Article 205 (1) of the Act on Statutory Auditors

Administrative Procedure as a result of the withdrawal of the application by the applicant, while 3 proceedings have not yet been completed.

4.3.2. The STREFA system

In the first quarter of 2021, PANA made available to audit firms the Audit Firms Registration and Records System (*System Rejestracji i Ewidencji Firm Audytorskich* - STREFA).



PANA own study

Audit firms with active user accounts in the system have access to:

- an updated register of statutory auditors when submitting annual reports on the services provided and preparing forms for updating data,
- an up-to-date list of audit firms and GUS data on CEIDG and KRS registers when preparing applications for data updates,
- an updated settlement tab regarding the oversight fee in order to verify the payments made and to correctly submit the annual settlement of the fee to the STREFA system,
- direct correspondence with PANA,
- submitted forms, including the preview of generated forms.

Audit firms with active user accounts in the system also have the option of:

- electronic submission of the required reporting and information forms bearing a qualified or trusted signature - FORMS,
- ongoing monitoring of own data published on the list of audit firms on the PANA website, in the appropriate tabs on the MY FIRM entity page,
- electronic communication with the Agency,
- downloading an official confirmation of receipt of submitted forms and applications,
- making electronic corrections of submitted forms and supplementing applications,
- tracking the status of submitted forms and applications.

4.3.3. Actions regarding entries and removals of statutory auditors

In 2021, the Agency analysed the resolutions submitted to the National Council of Statutory Auditors regarding entries and removals of statutory auditors and verified the documentation constituting the basis for the resolutions adopted by the National Council of Statutory Auditors on the entry of statutory auditors into the register.

Entries and removals of statutory auditors



verified documentation files
concerning the entry of statutory
auditors to the register



analysed resolutions on removal
from the register of statutory
auditors



4.3.4. Activities related to the qualification procedure for candidate statutory auditors

Activities of the PANA Council in 2021 in the field of approving resolutions of the National Council of Statutory Auditors regarding the qualification procedure for candidate statutory auditors:
<ul style="list-style-type: none">• No. 1480 / 22a / 2021 of 5 March 2021 on the amount of the entry fee for joining the qualification procedure,• No. 1481 / 21a / 2021 of 5 March 2021 on the amount of fees for individual exams,• No. 1484 / 22a / 2021 of 5 March 2021 on the dates of performing knowledge examinations for candidate statutory auditors

Moreover, it should be noted that the representatives of the Agency took an active part in the project of the Ministry of Finance concerning the development of the concept of improving the acquisition of statutory auditor rights and strengthening education in the field of financial audit and accounting. According to the Agency, it is necessary to actively counteract the downward trend in the number of statutory auditors in Poland, which poses a significant threat to this market in the long term. This project is implemented as part of the government's strategy "Efficient and modern state 2030". In the second half of 2021, numerous working meetings were held with the participation of representatives of the Ministry of Finance, PCSA and the Examination Commission, during which the Agency was responsible for developing part of the survey research and interviews aimed at diagnosing the current state of affairs, including barriers and incentives to obtain the title of statutory auditor and determination of the need to ensure an appropriate number of professional statutory auditors in subsequent periods.

4.3.5. Activities in the field of National Professional Standards, National Standards on Quality Control and Rules of professional ethics of statutory auditors

In 2021, PANA cooperated with PCSA in the field of National Professional Standards, National Standards on Quality Control as well as rules of professional ethics in the following areas:

- adopting national professional standards, including national standards on quality management (i.e. NSQM 1, NSQM 2 and NSA 220 (Revised)), the rules of professional ethics of statutory auditors in connection with the issuance of new or amended standards by the IAASB and IESBA and other regulations related to the development of standards, guidelines or best practices regarding professional standards, quality management standards and the rules of professional ethics of statutory auditors,
- polonisation of professional standards - adaptation of the content of international standards issued by the IAASB so that their content already at the level of every standard contain requirements consistent with other legal regulations in Poland (national and EU), used the terms functioning in the Polish legal order and did not allow the possibility of choosing from several presented solutions, if only one of the options is allowed in accordance with the provisions of Polish law.

After the polonisation, the **International Standards on Quality Management** will function as *National Standards on Quality Control based on the wording of the International Standards on Quality Management* - new NSQC.

The new NSQC allows statutory auditors to provide better quality services, but it is required to take actions on the part of the NCSA, supporting smaller, often one-person audit firms in the process of preparing for the implementation of new NSQC by issuing appropriate instructions and templates requiring little adaptation to the specificity of the performed activity.

The planned date of entry into force of the *National Standards on Quality Control based on the International Standards on Quality Management and the National Standard on Auditing 220 (Revised) in the wording of the International Standard on Auditing 220 (Revised)*: 1 January 2023.

- meetings, exchange of views and submitting comments on the shape of the standard for auditing the compliance of financial statements with the requirements of Regulation (EU) 2019/815 (ESEF standard).

The activities of the PANA Council in 2021 in the field of approving resolutions of the National Council of Statutory Auditors regarding the adoption of national professional standards, national standards on quality control and the rules of professional ethics of statutory auditors:

- No. 1632/25a/2021 of 7 June 2021 on the adoption of the National Standard of Related Services 4400 (R);
- No. 1760/27a/2021 of 6 August 2021 on the principles of professional ethics of statutory auditors;
- No. 1975/32a /2021 of 17 December 2021 on the national standard on assurance engagements other than audits or reviews 3001PL - "Audit of financial statements prepared in the European single electronic format".

The National standard on assurance engagements other than audits or reviews, 3001PL (ESEF), is a national standard and has no equivalent in any standards issued by the IAASB. This standard applies not only to the audit of financial statements of issuers of securities admitted to trading on a regulated market but also, after

the amendment to the Accounting Act, to auditing the financial statements and consolidated financial statements of entities that are not issuers of securities admitted to trading on a regulated market, prepared in accordance with the International Financial Reporting Standards and in the format referred to in Regulation (EU) 2019/815, as well as the consolidated financial statements of these entities, if they are labelled in accordance with the requirements of Regulation (EU) 2019/815.

Pursuant to the provisions of Resolution No. 1975/32a/2021, the National standard on assurance engagements other than audits or reviews 3001PL applies to audits of financial statements for reporting periods ending on or after 31 December 2021.

4.3.6. Activities in the field of obligatory professional development of statutory auditors

PANA priorities raised in 2021 in contacts with NCSA in the area of obligatory professional development for statutory auditors:

- inclusion of issues by the National Council of Statutory Auditors in the field of CPD for 2022 related to, among others, support for the process of preparing the environment of statutory auditors for the implementation of new National Standards on Quality Control based on the wording of the International Standards on Quality Management and the National Standard on Auditing 220 (R) in the wording of the International Standard on Auditing 220 (R), i.e. including two training courses in the above-mentioned scope:
 - Application of new quality management standards (16 training hours),
 - New IAASB quality management standards - practical implementation aspects (8 training hours);
- inclusion in the subject of CPD for 2022 issues of *the most common findings in the preparation and audit of consolidated financial statements - accounting and auditing aspects* as an important topic that improves the quality of audits of financial statements (indirectly also the quality of documentation from the performed audits created by statutory auditors).

Activities of the PANA Council in the field of CPD in 2021

- presentation of objections to the Resolution of the National Council of Statutory Auditors No. 1378/21a/2021 of 5 February 2021 on the amendment of the resolution on the settlement period and the minimum number of hours of obligatory professional development for statutory auditors;
- approval of the resolution of the National Council of Statutory Auditors No. 1595/24a/2021 of 7 May 2021 on the thematic scope of obligatory professional development for statutory auditors in 2022;
- approval of the resolution of the National Council of Statutory Auditors No. 1625/24a/2021 of 20 May 2021 on amending the resolution on the settlement period and the minimum number of hours of obligatory professional development for statutory auditors;
- approval of the Resolution of the National Council of Statutory Auditors No. 1978/32a/2021 of 20 December 2021 on the change of the thematic scope of obligatory professional development for statutory auditors in 2022.

4.4 International cooperation

International cooperation of PANA



bilateral relations with foreign public oversight bodies



membership in CEAOB



membership in IFIAR

PANA own study

PANA has been a member of the **International Forum of Independent Audit Regulators (IFIAR)** since April 2020. In 2021, representatives of the Agency participated in the annual IFIAR plenary meeting, workshops for inspectors and training on investigations, as well as meetings with representatives of the world's 6 largest networks of audit firms. As a result of these meetings, contacts were later established with the PCAOB (Public Company Accounting Oversight Board) and FRC (Financial Reporting Council).

The cooperation within IFIAR is aimed at the exchange of experience and information on the audit market and supervisory activities.

PANA is actively involved in the work of the sub-groups of the **Committee of European Auditing Oversight Bodies (CEAOB)**. In 2021, representatives of the Agency participated in the work of all permanent subgroups and in the task force appointed by the Chairman of the CEAOB to analyse possible strategic changes in the field of public oversight in the future.

On 24 November 2021, an employee of PANA, Agnieszka Koprowska was elected Chair of the CEAOB Enforcement subgroup, and therefore PANA took over the chairmanship of the work of the above mentioned group for a 4-year term of office.

PANA activity in the CEAOB subgroups in 2021

Enforcement subgroup

- Exchange of information between CEAOB members and sharing of best practices on investigations and sanctions imposed on audit firms and statutory auditors.
- The group, among others, collects and aggregates data on penalties imposed in individual Member States of the European Union for publication by the CEAOB and organizes educational workshops.
- **The international cooperation of the Agency in the above-mentioned area enables the improvement of the effectiveness of the systems of investigations and penalties aimed at detecting, correcting and preventing the inappropriate performance of the statutory audit.**

Market monitoring subgroup

- Development of a new market monitoring methodology that could be jointly used in all Member States of the European Union, and which will be the basis for the preparation of subsequent market monitoring reports by supervisory authorities.
- Article 27 of the European Union Regulation No. 537/2014 requires the competent authorities in the EU Member States to prepare, at least every 3 years, a market monitoring report and submit this report to the CEAOB, ESMA, EBA, EIOPA and EC. The next report will be prepared in 2022.
- **In 2021, the subgroup was working to improve the methodology and indicators used for the preparation of national reports. Common methodology and indicators allow for easier comparison of reported data from European Union Member States and their aggregation at European Union level.**

Inspections subgroup

- Developing inspection procedures for the internal quality control systems for audit firms under the Common Audit Control Methodology
- Exchange of knowledge in the field of methodology and experience from the conducted inspections, enabling the comparison of the scale of identified findings

International Standards on Auditing subgroup

- Analysis of draft changes to international standards and preparation of responses to IAASB and IESBA consultation documents.
- Development of guidelines on the involvement of statutory auditors in audits of financial statements prepared in the European Single Electronic Format (ESEF).
- Consideration of the expected impact on the audit market of possible incorporation into the infrastructure of IAASB Standards, an audit standard for less complex entities.
- Other projects, including the analysis of the imperfections of international standards resulting in recurring irregularities in audits, analysis of the differences between audit standards in force in member states.

Equivalence and adequacy subgroup

- Analysis of the effects of Great Britain's exit from the European Union.
- Support from the European Commission in connection with the approaching (in 2022) end of the European Commission's implementing decisions on the equivalence of oversight systems and the equivalence of competent authorities of the United States of America

Ad-hoc task force for the period 2020-2021

- Identifying ways to improve cooperation within the CEAOB and preparing proposals for their implementation

PANA own study

Activities in the field of international cooperation related to law-making and enforcement	
DORA (Digital Operational Resilience Regulation of the Financial Sector)¹⁴	During one of the initial meetings within the framework of CEAOB, the Agency, as one of the few supervisory authorities, drew attention to the possible negative effects of the planned imposition of obligations under the DORA Regulation on statutory auditors and audit firms. As a result of the dialogue with other oversight bodies, the CEAOB developed a position taking into account most of the comments submitted by the Agency.
ESAs (public consultation on supervisory convergence and the single rule book)¹⁵	The European Commission initiated consultations on the convergence of the uniformity of regulations in the field of the functioning of European oversight bodies. It featured a proposal to include audit supervision in the structures of the European Securities & Market Authority (ESMA). At the CEAOB forum, the Agency drew attention to the related risks. Part of the Agency's contribution to the strategic impact of the planned activities was used in the response prepared by CEAOB and sent to the European Commission.
CSR (corporate sustainability reporting)¹⁶	The Agency has joined and is monitoring activities related to the draft of a new directive on corporate sustainability reporting at the CEAOB level. Agency representatives participate in the work of 2 groups dealing with this subject at the national level, sharing the knowledge gained on the CEAOB forum.
Milieu Questionnaire (Study on the Audit Directive and Regulation)	The Agency participated in a study conducted for the European Commission on the implementation and application of the provisions of Directive 2006/43/WE and Regulation 537/2014. The doubts raised by the Agency were supported by other supervisory authorities.

PANA own study

¹⁴ <https://eur-lex.europa.eu/legal-content/PL/TXT/?uri=CELEX%3A52020PC0595>

¹⁵ https://ec.europa.eu/info/consultations/finance-2021-esas-review_pl

¹⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0189>

4.5 Information and education activities

PANA's information and educational activities are aimed at increasing the quality of services provided by audit firms and building public awareness of the security of economic turnover related to financial audit and the work of statutory auditors.



PANA own study

4.5.1. Meetings with audit firms



PANA own study

4.5.2. Conferences

As part of the implementation of educational tasks, the Polish Agency for Audit Oversight organized two conferences in 2021.

1st International PANA conference

Corporate governance 2021: how to strengthen confidence in the economy

TIME AND PLACE

19 October 2021, online
All presentations were translated in real time by simultaneous interpreters from Polish to English and vice versa





4 THEMATIC PANELS

- Application of corporate governance principles in Poland
- The role of ESG factors in strengthening the enforcement of corporate governance principles
- The role of auditors in corporate governance
- Corporate governance - best practices

35 PANELISTS FROM POLAND, FRANCE, GREAT BRITAIN AND USA

They included representatives of OECD, MF, MAP, PFSA, ZPP, PCSA and GPW, lecturers from Kozminski University, SGH and Wrocław University of Economics, as well as representatives of organizations associating investors and issuers (SII, SEG, PSIK). Experts from the Polish Agency for Audit Oversight took part in all panels.





SPECIAL GUEST:

Mathilde Mesnard - Acting Director, Directorate of Financial and Enterprise Affairs OECD (A speech on the organization's strategy in a pandemic and post-pandemic reality).

PATRONAGE

Honorary patronage: Ministry of Finance, Rector of the Warsaw School of Economics - Dr. habil. Piotr Wachowiak, Rector of the Kozminski University - Prof. dr. habil. Grzegorz Mazurek.
Media patronage: PAP Biznes, Dziennik Gazeta Prawna i Prawo.pl, publishing house Wolters Kluwer Polska.



After the conference, 51 publications appeared in national and local media, including a TV interview broadcast twice, an interview for the economic editorial office of Polish Radio and numerous publications in national news portals.



Educational conference for students

Statutory auditor - a profession with prospects

TIME, PLACE, PARTICIPANTS

November 30, 2021
280 students from universities from all over Poland



OBJECTIVE

Promotion of the profession of statutory auditor, the best professional and ethical practices and emphasizing its importance for the security of economic transactions.

PROGRAM

The experts of PANA discussed issues related to the practice of the profession of statutory auditor and answered questions. Professor Anna Karmańska, the chairwoman of the Examination Committee for candidate statutory auditors appointed by the Minister of Finance, told the participants about the multi-stage recruitment process and the high ethical requirements that candidates should meet.



Media patronage: Rzeczpospolita, Parkiet.pl
After the conference, the Agency received thanks from the authorities of several universities and proposals for permanent substantial and professional cooperation.

PANA own study

4.5.3. Communication with the inspected entities and other entities involved

The Agency participated in meetings with both the inspected entities and those involved during the inspections:

- participation in the seminar "Challenges and barriers in the work of an auditor in the field of enterprise valuation in pandemic conditions" organized by the Association of Statutory Enterprise Valuation in Poland,
- participation in the "Supervisory Board" conference and presentation on the necessity of cooperation between corporate bodies and statutory auditors,
- participation in the seminar "The most important factors influencing the quality of financial statements and financial audit services" organized by the WSE and promotion of high-quality audits of financial statements,
- meeting with banks, audit firms auditing banks, the Bank Guarantee Fund and the Polish Financial Supervision Authority - in connection with the use of IFRS9 in the financial statements.

4.5.4. Website

The Agency develops its website in such a way as to meet the needs of statutory auditors and audit firms as well as all those who are interested in the functioning of the audit services market. An example is a list of legal acts with the most important and current legal regulations relating to the performance of the profession of statutory auditor and the activities of audit firms, and the publication of regular updates providing current information helpful in fulfilling information and reporting obligations by audit firms. In 2021, the Agency informed, among others, about:

- the payment of the oversight fee, including the amount of the minimum fee in 2021;
- the percentage rate of oversight fees paid by audit firms in 2022 in connection with the performance of assurance and related services in accordance with national professional standards;
- provision of information by audit firms on revenues forecasted for 2021 and 2022;
- submission of the annual settlement of oversight fees by audit firms for 2021;
- formal requirements for submitting applications for entry on the list, applications for updates and applications for removal from the list of audit firms, including those submitted online through the STREFA system;
- the amount of the fee for considering the application for entry on the list of audit firms in 2022;
- submission of the annual report for 2021 with an indication of the obligation to report data and information in the report for 2021, which were not obligatory for 2020;
- amendments to the Act on statutory auditors, audit firms and public oversight;
- updating data on the list of audit firms in connection with performing remote inspections;
- the necessary verification of the entity's entry on the list of audit firms before signing the auditing contract.

The PANA website is integrated with the STREFA system, making it easier for audit firms to access the submission of applications and reports.

The website also publishes educational and information studies prepared by the Agency for audit firms and statutory auditors.

4.5.5. Cooperation with universities and the justice system

In 2021, talks were initiated on possible forms of cooperation of the Polish Agency for Audit Oversight with the Faculty of Law and Administration of the Adam Mickiewicz University in Poznań and with the Warsaw School of Economics.

5. Financial management of the Polish Agency for Audit Oversight

5.1. Revenues and costs

The Agency's revenues from individual sources¹⁷ are presented in the table below:

PANA revenues in 2021 (in PLN thousand)	
Oversight fees	26 947
Fees for examining the application for entry on the list of audit firms	155
Revenue from interest accrued on free funds deposited on bank accounts in accordance with the Act of 27 August 2009 on public finance	43
Revenues from interest accrued due to late payment of the oversight fee	21
Other revenues not included above	12
Total revenue	27 178

Costs for 2021 (in PLN thousand)	
Depreciation	345
Use of materials and energy	155
External services, including office maintenance costs	1 434
Salaries including:	11 483
• personal	10 611
• impersonal (auditors, experts employed under civil law contracts)	690
• Council Members	182
Benefits for individuals	225
Social security contributions	1 966
Taxes and fees	1
Other costs by nature, including:	173
• membership fee to IFIAR	43
Funds transferred to PCSA	2 384
Total cost	18 166

The main source of revenues of the Polish Agency for Audit Oversight are oversight fees, which were obtained in the planned amount of PLN 26,947,000.

The sum of the costs of the Agency's tasks and the costs of implementing the PCSA tasks referred to in Article 25 (1) (2) and (3) (a) of the Act is the amount of the costs of public oversight performed by the Agency included in the Agency's financial plan for 2021.

The costs of oversight in 2021 amounted to PLN 18,166,000, including the costs of the Agency's operation - PLN 15,782,000 and the costs of certain tasks related to supervision carried out by PCSA, PLN 2,384,000.

¹⁷ Article 95b of the Act on statutory auditors

The surplus of revenues over costs in 2021 amounted to PLN 9,012,000. The state of the epidemic in 2021 had an impact on the the Agency's costs. On one hand, the Agency did not achieve the anticipated employment and, on the other hand, remote inspections resulted in savings related to the costs of business trips. In accordance with the applicable regulations, this surplus will be taken into account when calculating the rate of the oversight fee for 2023.

5.2. Settlement of the amount transferred by the Agency to PCSA

In 2021, the amount of PLN 2,424,000 was planned to cover the costs of selected tasks carried out by the PCSA as part of public oversight, in accordance with Article 55a of the Act, which accounted for 10% of the forecast costs of implementing the Agency's tasks, included in the Agency's financial plan for 2021.

The Agency transferred PLN 2,405,000 to the PCSA bank account in 2021. This amount was transferred, in accordance with the provisions of § 4 in conjunction with § 6 of the above-mentioned regulation, in three parts, i.e. on May 28, 2021 - PLN 789,000, on August 30 - PLN 808,000 and on November 12, 2021, PLN 808,000, except that the first part of the amount was reduced by PLN 19,000, which is an overpayment resulting from the annual settlement for 2020 of the amount transferred by the Agency to the PCSA. The costs were reduced by the Agency's overpayment of the amount transferred to PCSA resulting from the submitted annual settlement for 2021.

PCSA submitted the annual settlement for 2021 of the amount transferred by the Agency to cover the costs related to the implementation of certain PCSA tasks as part of public oversight. The settlement was prepared according to the formula constituting an appendix to the above-mentioned regulation and is presented in the table below. In the annual settlement, PCSA showed the actual costs incurred in 2021 at a level lower than planned by PLN 40,000. Therefore, an overpayment was created, which will have an impact on the reduction of the amount in 2022, which the Agency should transfer to the PCSA bank account by May 31, 2022, in accordance with § 6 section 3 of the above-mentioned regulation.

Settlement of the amount transferred by the Agency to the PCSA

No.	Specification of PCSA tasks as part of public oversight	Amount of costs (PLN thousand)		
		Forecast for 2021.	Actually incurred in 2021	Costs for 2021 compared to those forecast for the entire year (in %)
1	The costs of implementing PCSA tasks referred to in Art. 25 (1) (2) of the Act include:	1 507	1 305	86,6%
	a) direct translation costs of international standards on auditing, international standards of assurance engagements other than audits, international standards on related services, international standards of quality control, and international standards relating to the professional ethics	204	128	62,8%
	(b) direct costs of the development of national professional standards, national standards on quality control and rules of professional ethics	443	545	123,0%
	c) direct costs of approval by the NCSA of national professional standards, national standards on quality control and rules of professional ethics	19	21	110,8%

	d) other direct costs related to the implementation of the tasks referred to in Article 25 (1) (2) of the Act	647	374	57,9%
	e) indirect costs related to the implementation of the tasks referred to in Article 25 (1) (2) of the Act	194	237	122,0%
	Total (sum of costs in letters a-e)	1 507	1 305	86,6%
2	The costs of implementing PCSA tasks referred to in Art. 25 (1) (3) (a) of the Acts include:	917	1 079	117,7%
	(a) direct costs of verifying the compliance of statutory auditors with the obligations related to CPD	110	173	157,8%
	b) direct costs of performing disciplinary proceedings for violations of obligations within the scope of CPD	622	691	111,1%
	c) other direct costs related to the implementation of the tasks referred to in Article 25 (1) (3) (a) of the Act	19	19	101,2%
	d) indirect costs related to the implementation of the tasks referred to in Article 25 (1) (3) (a) of the Act	166	195	117,6%
	Total (sum of costs in letters a-d)	917	1 079	117,7%
3	TOTAL (sum of costs from items 1 and 2)	2 424	2 384	98,3%
4	The amount received by PCSA from the Agency as at 31 December 2021.	2 424		
5	Overpayment of the amount transferred over the actual costs incurred by PCSA as at December 31, 2021.	40		

Source: PANA own study based on information received from PCSA

5.3. Oversight fee activities

From 2020, audit firms are required to set a fee for oversight on the basis of revenues from assurance and related services performed in accordance with national professional standards. The fees for oversight make up the revenues of the Agency in accordance with Article 95b of the Act on statutory auditors, audit firms and public oversight.

The rules for paying the oversight fee are regulated by the Regulation of the Minister of Finance of 27 November 2019 on oversight fees paid by audit firms in connection with the performance of assurance services and related services in accordance with national professional standards (Journal of Laws, item 2321).

This regulation specifies, inter alia:

- method and deadlines for paying fees,
- the detailed scope of the information referred to in Article 55 (10a and 10b) of the Act, the manner and time limits for their submission as well as templates of forms on which they are provided;
- the manner and dates of the settlement of fees along with the template of the annual settlement of fees.

The Agency has published announcements to audit firms on the implementation of obligations regarding the payment of the oversight fee in 2021, reminding about the payment deadlines, as well

as informing about the percentage rate of the oversight fee for 2021 and about the minimum oversight fee, which in 2021 was PLN 1,033.¹⁸

The minimum fee payable by 15 October 2021, was required from audit firms that in 2021, did not generate revenues in the first three quarters of a given calendar year, or the amount of the fee, calculated as the product of the rate and the audit firm's revenues (including forecasted ones) by the end of the year, was less than PLN 1033.¹⁹

The 2021 oversight fee percentage was 2.80% of revenues from assurance and related services performed in accordance with national professional standards. The above rate was determined on the basis of revenues forecasted by audit firms to be achieved in 2020 and 2021 and estimates carried out by the Agency, which were submitted in 2020 to the minister responsible for public finance.

Due to the necessity to identify payments, each audit firm pays oversight fees to a separate, individual bank account held for this purpose by the Agency.

¹⁸ *Announcement of the President of the Central Statistical Office of 9 February 2021 on the average wage in the national economy in 2020* (Official Journal, item 137). Pursuant to Article 55 of the Act on Statutory Auditors, the fee for oversight may not be less than 20% of the average remuneration in the national economy.

¹⁹ *Announcement of the Minister of Finance, Funds and Regional Policy of 13 November 2020 on the percentage rate of oversight fees paid by audit firms in connection with the performance of assurance services and related services in accordance with the national professional standards for 2021* (Official Journal, item 1051).