

Comments on the Final Draft of the Audit Act

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American Chamber of Commerce in Croatia *Američka gospodarska komora u Hrvatskoj*

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Contested provisions of the Final Draft

With this document, the American Chamber of Commerce in Croatia (*AmCham*), sets out its position on the Final Draft of the Audit Act.

The Final Draft of the Audit Act is generally acceptable, but we deem it necessary to provide suggestions for further improvements.

Article 44, paragraph 2 of the Final Draft

Article 44, paragraph 2 of the Final Draft of the Audit Act prescribes the following:

“(2) The auditing company which provides financial and accounting services, tax advice, other business consultancy, evaluation of the company and its assets and liabilities, judicial expertise, and management services, excludes the possibility of performing a statutory audit of the same legal entity for the same business year. The prohibition of performing the statutory audit applies to all related companies of the audited entity, as well as the auditing company.”

AmCham finds the wording of Article 44, paragraph 2 unclear in the sense that it is not clearly defined to whom the last sentence of the said paragraph applies.

Therefore, we propose that in Article 44, paragraph 2, the last sentence is replaced with the following sentence:

“The prohibition of performing the statutory audit applies to the audited entity and all related companies of the audited entity, as well as the auditing company and all related companies of the auditing company.”

Article 44, paragraph 3 of the Final Draft

Article 44, paragraph 3 of the Final Draft prescribes the following:

“(3) The prohibition referred to in paragraph 2 of this Article shall not apply to the related companies of the audited entity, nor to the auditing company, provided that the auditing company has undertaken all security measures ensuring that the performance of the services referred to in paragraph 2 of this Article will not affect the independence of the performance of the statutory audit.”

By including an exemption from the ban on performing non-audit services for audited companies that are entities of public interest, as is currently prescribed by

Article 44, paragraph 7, restrictions for providing non-audit services to audited entities that are not entities of public interest would be greater than for providing non-audit services to entities of public interest.

Therefore, we propose that in Article 44, paragraph 3 is replaced with the following sentence:

“(3) The prohibition of performing the statutory audit referred to in paragraph 2 of this Article shall not apply to the audited entity and all its related companies, nor to the auditing company and all its related companies, provided that the auditing company has undertaken all security measures ensuring that the performance of the services referred to in paragraph 2 of this Article will not affect the independence of performance of the statutory audit.”

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