

Report

on monitoring the quality of the audit services market
and competition

2019–2020

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ABBREVIATIONS

Law of Ukraine on Audit of financial statements and auditing

Audit Public Oversight Body

Audit Oversight Board

Quality Assurance Inspectorate

Audit Entities

Register of auditors and audit entities

Section “Audit entities” of the Register of auditors and audit entities

Section “Audit entities entitled to perform a statutory audit of financial statements” of the Register of auditors and audit entities

Section “Audit entities entitled to perform a statutory audit of financial statements of PIEs” of the Register of auditors and audit entities

Public interest entities

International Financial Reporting Standards

Public interest entities classified as large enterprises

Public interest entities classified as medium enterprises

Public interest entities classified as small enterprises

Public interest entities classified as micro enterprises

Percentage points

Law

APOB

Oversight Board

Inspectorate

AEs

Register

Section II of the Register

Section III of the Register

Section IV of the Register

PIEs

IFRS

Large PIEs

Medium PIEs

Small PIEs

Micro PIEs

p.p.

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KEY INDICATORS AUDIT SERVICES MARKET AND COMPETITION IN 2019–2020



3.2 UAH
billion

INCREASE BY 11 %

Services provided by AEs



31.4 units
thousand

DECREASE BY 5.4 %

Total number of engagements
performed by AEs



101 UAH
thousand

INCREASE BY 17 %

Average cost of one service
provided by AEs



1.1 UAH
billion

INCREASE BY 15.7 %

Services provided to PIEs



2.8 units
thousand

INCREASE BY 3.6 %

Number of services provided
to PIEs



394 UAH
thousand

INCREASE BY 11.6 %

Average cost of one service
provided by AEs to PIEs



2713 persons

DECREASE BY 7 PERSONS

Number of auditors



893 units

DECREASE BY 7 UNITS

Number of AEs



84 units

DECREASE BY 4 UNITS

AEs entitled to perform
statutory audit of PIEs

INTRODUCTION

This report, “on monitoring the quality of the audit services market and competition” sets out key facts and trends about the Ukrainian audit market for the periods 2019 to 2020. It covers:

- ➔ the size and characteristics of the audit market in Ukraine;
- ➔ competition in the audit market;
- ➔ quantitative analysis of Audit Entities (AEs) and auditors;
- ➔ results of quality control inspections and the risks arising from a significant number of deficiencies in the AEs’ work, measures to mitigate the relevant risks;
- ➔ operation of Audit Committees.

The information in this report has been compiled by the Audit Public Oversight board of Ukraine as part of their monitoring of the audit market.

This Report was prepared with the expert support of the EU-funded Project "Implementation of EU practices for accounting, financial reporting and audit in Ukraine".

All enquiries in relation to the information in this report should be addressed to: publikinfo@apob.org.ua.



BACKGROUND INFORMATION

On October 1, 2018, the Law of Ukraine “On Audit of Financial Statements and Auditing” of December 21, 2017 № 2258-VIII was enacted. The Law defines the legal basis for audit of financial statements, auditing in Ukraine and regulates relations arising from its implementation.

The adoption of the Law ensured the harmonization of the national legislation in the area of audit of financial statements and auditing with the relevant EU legislation, and also had a positive impact on the development of the audit services market.



The Law of Ukraine “On Audit of Financial Statements and Auditing”

The Audit Public Oversight Body consisting of the Oversight Board and the Inspectorate is responsible for the implementation of the audit public oversight in Ukraine.

According to the Law:

auditing is an independent professional activity of auditors and audit entities that are registered in the Register of auditors and audit entities on the provision of audit services;

auditor is a natural person, who confirmed his qualification to perform audit activity, has the relevant practical experience and is listed in the Register of auditors and audit entities;

audit entity is an audit firm or an auditor that meets the following criteria: performs auditing as an individual-entrepreneur or conducts an independent professional activity; acquired the right to perform auditing on the grounds and in the manner prescribed by this Law; is included in the Register as the audit entity.

The Register of auditors and audit entities consists of four sections with information on:

- I. auditors;
- II. audit entities;
- III. audit entities entitled to perform a statutory audit of financial statements;
- IV. audit entities entitled to perform a statutory audit of financial statements of public interest entities.

Audit entities can provide audit services (except for statutory audit services) after they were included in the Register, in particular in the section II "audit entities" of the Register.

audit services cover audit, review of financial statements, consolidated financial statements, performance of other assurance engagements and other professional services provided in accordance with the international standards on auditing;

audit of financial statements is an audit service on verification of accounting data and indicators of financial statements and/or consolidated financial statements of a legal entity or representative office of a foreign entity or another entity that submits financial statements and consolidated financial statements of the group, in order to provide an independent audit opinion on its compliance in all substantial aspects with the requirements of the national accounting regulations (standards), international financial reporting standards or other requirements.

According to Article 363 of the Commercial Code of Ukraine, the audit of financial statements can be initiated by economic entities, as well as in cases defined by the Law (statutory audit).

Statutory audit of financial statements is an audit of financial statements (consolidated financial statement) of business entities that according to the legislation shall disclose or provide to the users of financial statements (consolidated financial statements)

together with the audit report performed by the audit entities on the grounds and in the manner prescribed by this Law (Article 1 of the Law).

To provide statutory audit services, the audit entity shall be included in the section III. "Audit entities entitled to perform statutory audit of financial statements" of the Register, and to provide statutory audit services to public interest entities - in the section IV. "Audit entities entitled to perform statutory audit of financial statements of public interest entities" of the Register.

The legal requirement to disclose or submit financial statements (consolidated financial statements) to users of financial statements together with the audit report is the main criterion for determining the range of entities entitled to perform statutory audit.

According to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine": *users of financial reporting* are physical or legal entities that require information on the operations of an entity for decision-making purposes;

public interest enterprises – enterprises, which are securities issuers, whose securities are traded at the stock exchange, banks, insurers, non-state pension funds, other financial institutions (except for the other financial institutions and non-state pension funds that are classified as micro-enterprises and small enterprises) and enterprises that in accordance with this Law are classified as large enterprises;

large enterprises are considered to be the enterprises that do not comply with the criteria for medium enterprises and the performance indicators of which, for the date of annual report preparation for the previous year, comply with at least two of the following criteria: carrying amount of assets - over EUR 20 million; net income from sales of products (goods, work, services) - over EUR 40 million; average number of employees - over 250 people.

The entities mentioned above are subject to the Law provisions on ensuring the implementation of the functions of the audit committee.

PIEs (except for large enterprises that are not the issuers of securities), public joint-stock companies, natural monopoly companies on the general state market and economic entities operating in the extractive industries, shall disclose their annual financial statements and annual consolidated financial statements together with the auditor's report (in full) on their web site or otherwise in the cases prescribed by Law no later than April 30 of the year following the reporting period.

Other financial institutions which belong to microenterprises and small enterprises shall disclose their financial statements together with the auditor's report (in full) on their web site no later than June 1 of the year following the reporting period.

Pursuant to Article 41 of the Law, the Inspectorate, on behalf of the Oversight Board, regularly monitors changes in the audit services market.

For this the Inspectorate collected and summarized information on the activities of audit entities, market structure and size, developed and conducted a survey of audit entities and audit committees of public interest entities with the use of annual information on quality control of the services provided and annual generalized information submitted to APOB.

Based on the results of this work, the Inspectorate prepared a report on monitoring the quality of the audit services market and competition for 2019-2020 to analyze the situation in the audit services market, identify sustainable trends, assess risks and threats, and make recommendations for action to reduce the impact of the relevant risks and prevent threats to ensure the sustainable development of the audit market and improve the quality of audit services.

The following statistics provide an opportunity to assess, in particular, the level of market concentration, risks arising from a significant number of deficiencies in the work of audit entities, the work of audit committees or bodies (units) entrusted with relevant functions, the need for measures to mitigate the relevant risks.

SECTION I. – SIZE AND INDICATORS OF THE AUDIT MARKET IN UKRAINE

The audit market analyzed by the size of the company being audited

The value of the Ukraine audit market increased almost of 11% between 2019 and 2020 from UAH 2870.9 million to UAH 3175.5 million. This was driven by increases across all sectors, but particularly in the PIEs (16%) and Medium-sized entities (26%) markets.

This increase in overall value of the market was driven by a significant increase in the average audit fee of 17%, despite the overall total number of audits performed reducing by 5,4% (see following charts).

Figure 1 indicates the structure of the total cost of services provided by AEs in 2020:

- ✦ 35 % or UAH 1 120 million - services provided to PIEs;
- ✦ 27% or UAH 845 million - services provided to small or micro-enterprises;
- ✦ 20% or UAH 624 million - services provided to medium-sized enterprises.

At the same time, the structure did not change significantly during the analyzed time period, and the total cost of services provided by AEs increased for all categories of enterprises, including PIEs, medium, small and micro enterprises.

Figure 1. Size of the Ukraine Audit Market, UAH million

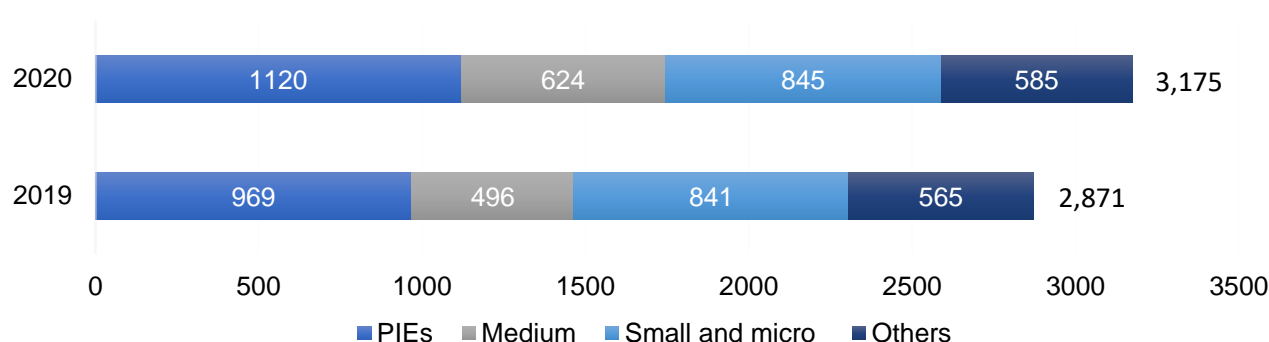
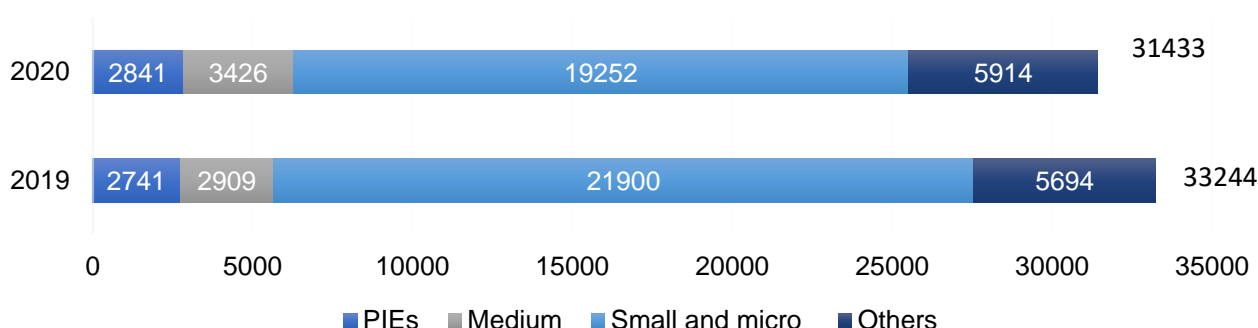


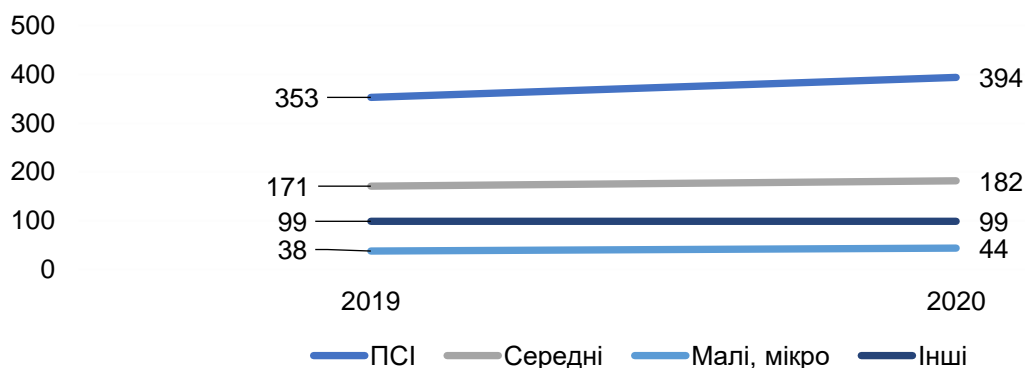
Figure 2. Number of Audits



In 2020, there was a decrease in the total number of engagements performed by AEs by 5.4% or by 1,811 engagements from 33,244 engagements in 2019 to 31,433 engagements in 2020 (Figure 2). It was caused by a significant increase in the number of engagements performed by AEs for small and micro enterprises (by 2,648 engagements or 12.1%) due to decrease in the number of related services provided (by 20% or 718 engagements) and non-audit services (by 16.1% or 1,844 engagements). At the same time,

an increase in the cost of one service provided by AE for small and micro enterprises amounted to UAH 6,000 or 15.8% (Figure 3), so the net effect in the total cost of services provided for small and micro enterprises was that the amount of this market segment as a whole remained unchanged with a slight increase of UAH 4.3 million or 0.5%.

Figure 3. Audit fee on average, UAH '000



At the same time, the number of the engagements performed by AEs increased in the period from 2019 to 2020: for PIEs by 3.6% or 100 engagements, for medium-sized enterprises by 17.8% or 517 engagements and for others by 3.9% or 220 engagements. Along with the number of performed engagements, the average cost of one service provided increased for PIEs by 11.6% or UAH 41 thousand and medium enterprises by 6.4% or UAH 11 thousand, which contributed to an increase in the total cost of services provided by AEs to the above categories of enterprises.

Audit market analysed by types of audit service

The above audits and audit fees include different types of audit services, such as:

- statutory audits of financial statements;
- statutory audits other than audits of financial statements;
- non-statutory assurance engagements requested by entities;
- services related to audit;
- non-audit work.

The following charts show the breakdown of the size of the audit market, number of engagements and average price of engagements broken down by each type of audit service. This is done for all audits, and then shown for audits of PIEs only.

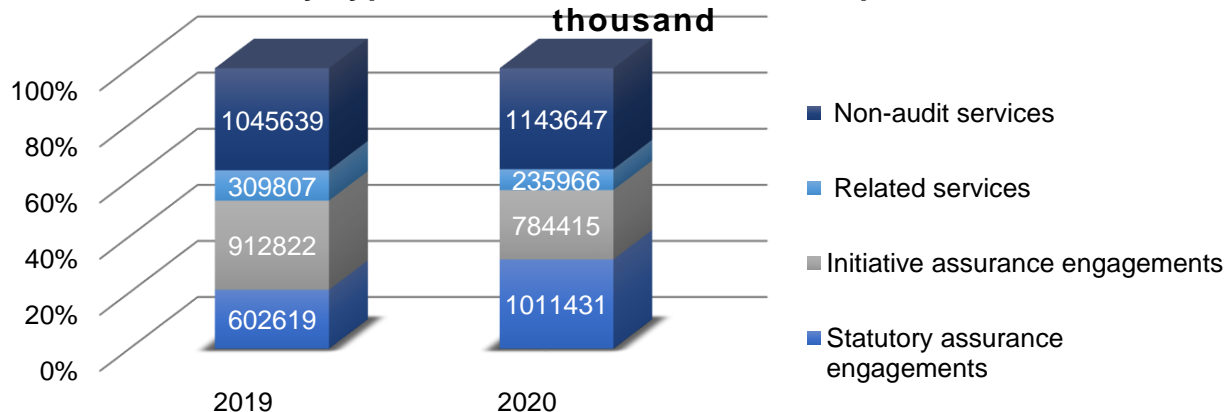
According to Figure 4.4 the total value of services provided by AEs in 2019-2020 increased significantly due to the increase in the value of services of statutory assurance engagements (by 67% or by almost UAH 409 million), as well as due to an increase in the cost of non-audit services (by 9.4%, or by UAH 98 million). At the same time, in the cost of statutory assurance engagements, the statutory audit of financial statements and/or consolidated financial statements accounted for almost 97%. Along with that, the total cost of related services decreased significantly (by 23.8% or by UAH 74 million), as well as the total cost of initiative assurance engagements (by 14.1% or by UAH 128 million). There are also structural changes in the total cost of AEs services with an increase in the share of statutory assurance engagements (from 21% to 31.9%) due to the reduction of the share of initiative assurance engagements (from 31.8% to 24.7%), related services (from 10.8% to 7.4%), and non-audit services (from 36.4% to 36%).

The cost of services provided by AE reflected the legally specified requirements for auditing with a trend for increase in the share of statutory assurance engagements and

decrease in non-audit services for the categories of companies from PIEs to others, particularly in 2020:

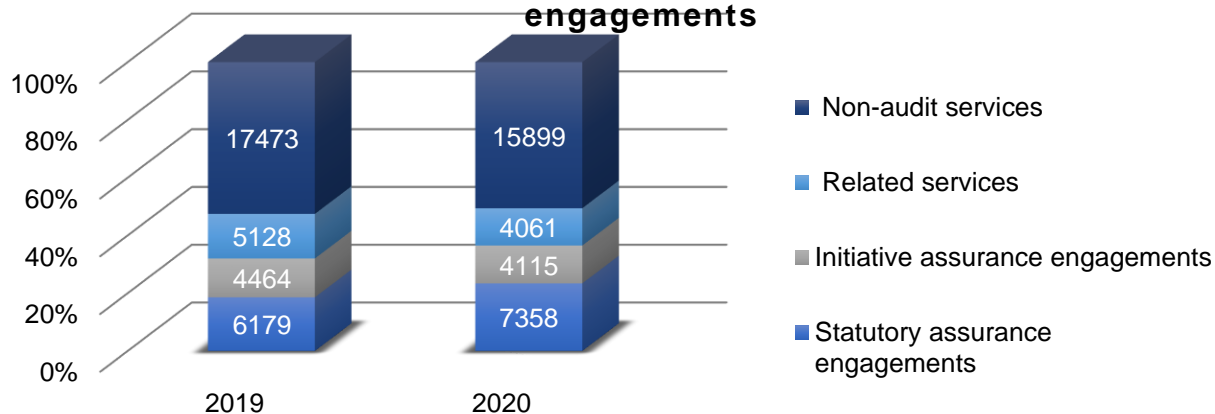
- ✦ for PIEs the statutory (53.2 %) and initiative (26.9 %) assurance engagements predominated;
- ✦ for medium-sized enterprises the majority were statutory assurance engagements (44.4%) and non-audit services (32.6%);
- ✦ for small and micro enterprises the non-audit services (52%) and initiative assurance engagements (20.3%) accounted for the largest share;
- ✦ for the other categories non-audit services (57.1%) and initiative assurance engagements (33.6%) accounted for the largest share.

Figure 4. The total cost of the services provided by the AEs by types of services for all enterprises, UAH thousand



In the breakdown of the number of services provided by AEs to all enterprises (Figure 5), a decrease in the number of services provided by types of engagement was a general trend for the whole market. There was only an increase in the number of services of statutory assurance engagements (by 19.1% or 1,179 engagements, including due to an increase in the number of engagements of statutory audit of financial statements and/or consolidated financial statements). The number of other types of engagements decreased. In particular, the number of initiative assurance engagements (by 349 engagements or 7.8%), related services (by 1,067 engagements or 20.8%) and non-audit services (by 1,574 engagements or 9%) decreased over the analysed period.

Figure 5. The total number of the services provided by the AEs by types of services for all enterprises, engagements

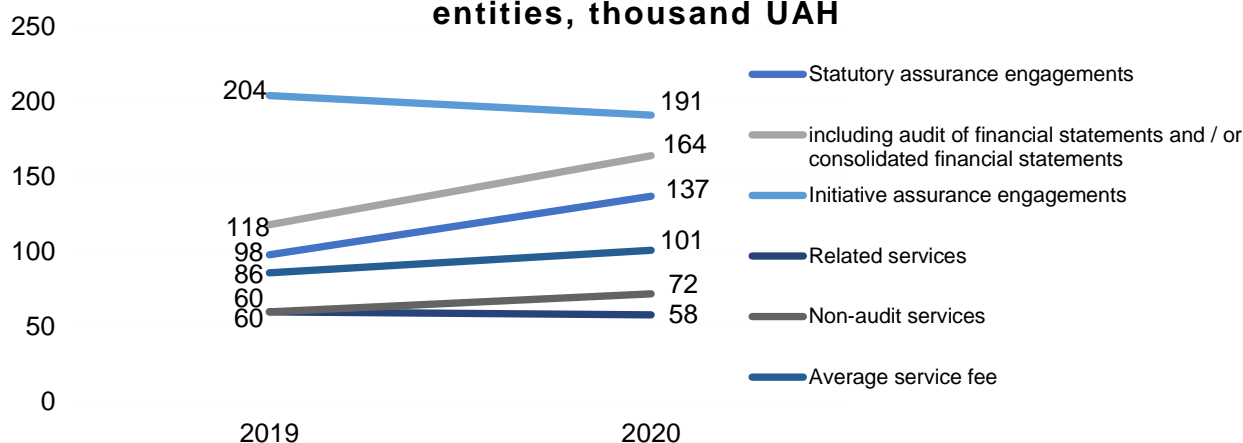


The structure of the number of services provided by AEs to all companies was dominated by non-audit services (50.6%) and statutory assurance engagements (23.4%).

In terms of analysing the average cost of a single AE service for all enterprises (Figure 6) the general market trend shows significant growth of the average cost of a single service of statutory assurance engagement (by nearly 40% or UAH 39 thousand) and non-audit services (by 20% or UAH 12 thousand).

Decrease in the cost of one service of initiative assurance engagement (by UAH 13 thousand or 6.4%) and related services (by UAH 2 thousand or 3.3%) did not affect the increase in the total cost of one AE's service on the market. It should also be noted that the cost of a single service provided varies significantly depending on the category of AEs. In particular, the average cost of the statutory assurance engagements of AEs of Section IV of the Register was the highest for the PIEs and amounted to UAH 427 thousand, including UAH 487 thousand for the audit of financial statements and/or consolidated financial statements, and the lowest for small and microenterprises - UAH 31 thousand. In general, depending on the category of the entity the service of initiative assurance engagements for PIEs had the highest price (UAH 774 thousand), and the smallest – for service of statutory engagements for small and micro enterprises (UAH 31 thousand).

Figure 6. Average service fee by types of services for all entities, thousand UAH



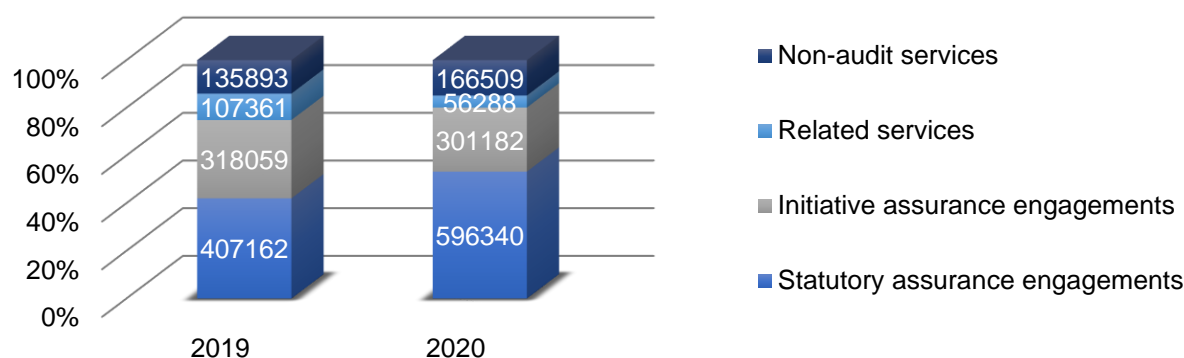
Audit Market Analysed by Service Type Provided to PIEs

This section analyses the indicators that directly describe the audit market by the type of services provided to the PIEs. In general, on the basis of the indicators specified below, the market was growing for the analysed period. In particular, the total cost of AE services provided to PIEs increased by UAH 152 million or 15.7% (Figure 7) due to the increase in the cost of fees for statutory assurance engagements (by 46.5% or UAH 189 million) and non-audit services (22.5% or almost UAH 31 million) during the analysed period. The decrease in the cost of related services (by 47.6% or UAH 51 million) and initiative assurance engagements (by 5.3% or almost UAH 17 million) did not affect the overall positive increase in the total. The statutory assurance engagements (53.2% in 2020 or by 11.2 p.p. higher than in 2019) and initiative assurance engagements (26.9% or by 5.9 p.p. less than in 2019) prevailed in the structure of the total cost of services provided by AEs to PIEs.

Together with the cost of AEs services provided to PIEs, their number also increased during the analysed period. The increase was in the same types of services, in which their total cost increased (Figure 8): number of statutory assurance engagements (by 297 engagements or 27%) and non-audit services (by 3 engagements or 0.4%) increased against decrease in the number of related services (by 102 engagements or 28.7%) and initiative assurance engagements (by 98 engagements or 20.1 %).

In terms of types of services provided to PIEs statutory assurance engagements (49.2% or by 9 p.p. higher than in 2019) and non-audit services (28.2 % or by 0.9% less than in 2019) prevail in the structure of the total number of services provided by AEs. The share of related services remains insignificant (8.9%), and decreased by 4.1% compared to the previous year.

Figure 7. Total value of services of AE, thousand UAH



During the analysed period, the average cost of one service provided by AE to PIE increased by UAH 41 thousand or 11.6% amounting to UAH 394.3 thousand in 2020. This increase was fixed in the breakdown of all types of services, except for the related services (Figure 9). The average cost of one service to perform an initiative assurance engagement was the highest one amounting to UAH 774.2 thousand.

Figure 8. Total number of services of AE

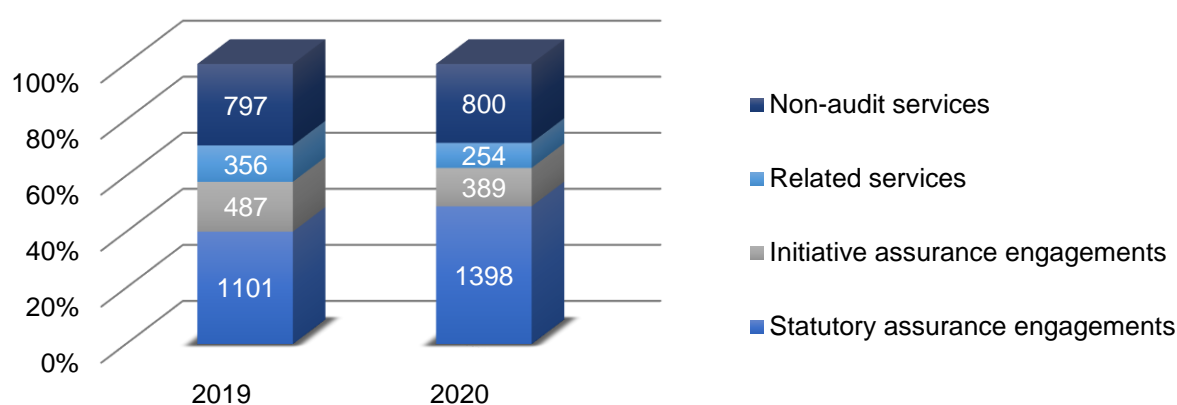
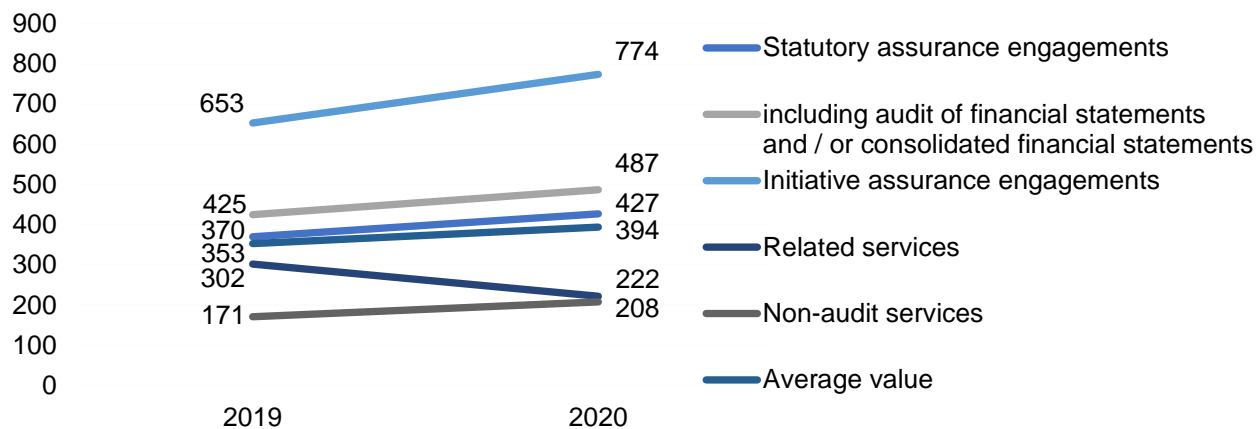


Figure 9. Average service fee for service provided to PIE, thousand UAH



As a summary we can make a conclusion about the development of the audit services market during the analysed period. More detailed information on the mentioned indicators is provided in tables in the annexes to this Report.



SECTION II. COMPETITION IN THE MARKET OF AUDIT SERVICES PROVIDED TO PUBLIC INTEREST ENTITIES

The following section sets out the level of competition in the Ukraine market. It analyses the audit market according to the size and nature of the audit firms, splitting auditors into three categories:

- ✦ the 'Big four' (Deloitte, EY, KPMG and PwC);
- ✦ other networks;
- ✦ audit firms that are not a member of a network.

The indicators are considered for engagements performed by AEs to PEIs.

Analysis of the segment of audit services provided to PIEs by category of audit firms

In the segment of audit services provided to PIEs the cost of services provided by the "Big four" increased by almost UAH 89 million (or by 14.5%) and by audit firms from other networks by UAH 70 million (or by almost 39%) during the analysed period. The cost of services provided by audit firms that are not a member of a network decreased by UAH 6 million (or by 4%). The mentioned indicators are summarized in the Table 1 and Figure 10.

Statutory assurance engagements and initiative assurance engagements prevailed in the structure of the cost of services provided to PIEs by different categories of audit firms. In particular, performed statutory assurance engagements amounted to 45.7% (only the audit of financial statements and/or consolidated financial statements was performed) and initiative assurance engagements to 36.4 % in cost of services of "Big four" provided to PIEs. For audit firms from other networks the cost of performed statutory assurance engagements amounted to a significant share of 72.8% and the cost of non-audit services – a small share of 8%.

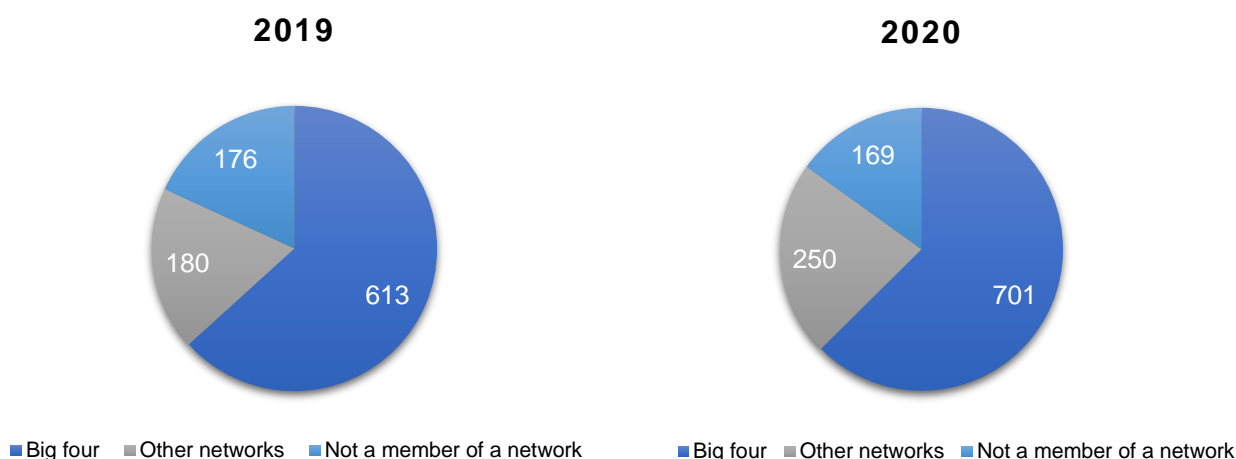
The audit firms that are not a member of a network performed mostly by value the statutory assurance engagements (55.8%) and almost did not perform the initiative assurance engagements (3.4%).

Table 1. Total value of services to public interest entities, million UAH

	Big four		Other networks		Not a member of a network		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
Total value of services	613	701	180	250	176	169	968	1120
Share in the total value of services, %	63,2	62,6	18,6	22,3	18,1	15,1	100 %	100 %

The share of the "Big four" in the total number of performed statutory assurance engagements amounted to 14.8% and of initiative assurance engagements amounted to 60.6%. For audit firms from other networks such indicators amounted to 33.4% and 23.9% respectively. The audit firms that are not a member of a network performed almost 52% of the total number of statutory assurance engagements and only 15.4% of the total number of initiative assurance engagements. Compared to 2019, the share of the "Big four" in the total number of performed statutory assurance engagements increased by 2 p.p., the share of audit firms from other networks increased by 10.3 p.p., and the share of audit firms that are not a member of a network decreased by 12.3 p.p.

Figure 10. Total value of services to public interest entities, million UAH



In terms of the number of performed engagements for PIEs, the largest share belongs to audit firms that are not a member of a network (44.5%), although their share in the number of performed engagements significantly decreased during the analysed period (Table 2 and Figure 11). The "Big four" and audit firms of other networks cover 29.8% and 25.7% respectively.

Table 2. Total number of engagements performed for public interest entities, q-ty

	Big four		Other networks		Not a member of a network		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
Number of engagements, q-ty	588	846	571	731	1582	1264	2741	2841
Share in the total number of engagements, %	21,5	29,8	20,8	25,7	57,7	44,5	100 %	100 %

According to the analytical tables, non-audit services prevailed in a structure of performed by "Big four" engagements for PIEs in 2020 with almost 44% (there is a trend of significant increase in their performance more than twice in the analyzed period), as well as initiative assurance engagements (almost 28%). This also demonstrates their lower average cost comparing to the statutory assurance engagements. The statutory assurance engagements make up the majority (by number of performed engagements) for audit firms of other networks (almost 64%, by 19.3 p.p. more than in 2019) and audit firms that are not a member of a network (57.4%, by 12.9 p.p. more than in 2019).

Figure 11. Total number of engagements performed for public interest entities, q-ty

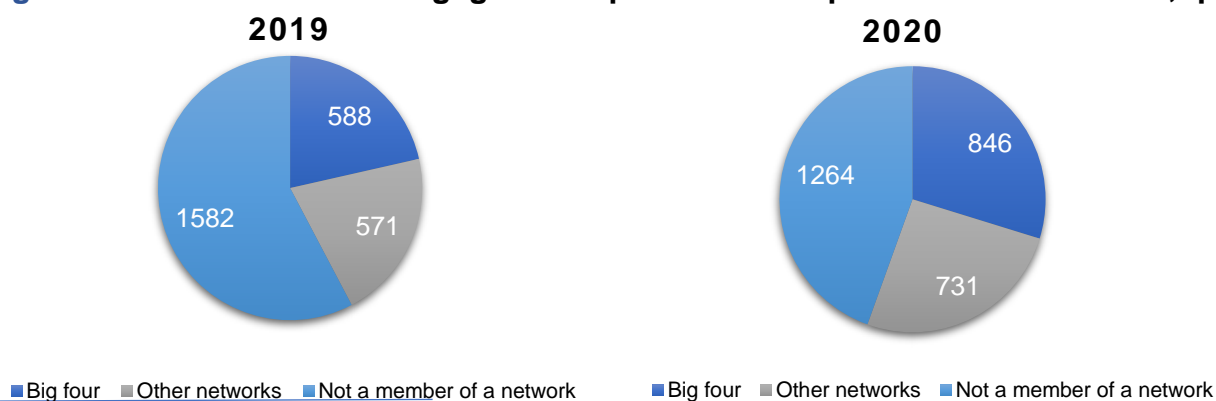
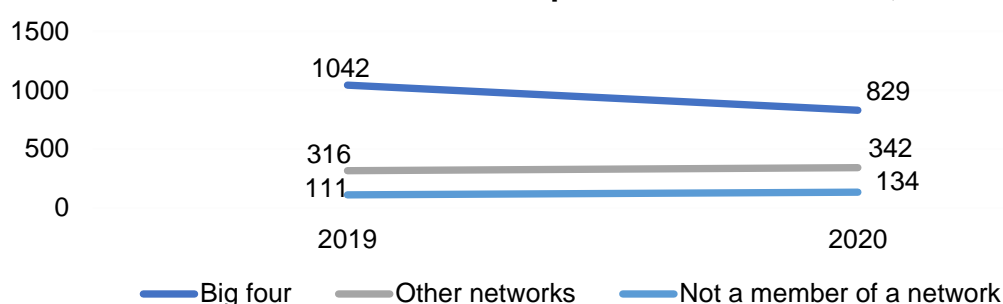


Figure 12 shows the average cost per service for PIEs, which was the highest for performed statutory assurance engagements. During the analysed period this indicator was the highest for the "Big four" - UAH 829 thousand in 2020, which is 20% lower or UAH 213 thousand less than in 2019. At the same time, the total cost of one service provided by the "Big four" decreased for almost all types of performed engagements. During the analysed period, the average cost of one service for PIEs provided by audit firms of other networks increased from UAH 316 thousand to UAH 342 thousand due to an increase in the average cost of one service for all types of performed engagements, except for statutory assurance engagements. Due to the increase of the total cost of one service for PIEs for all types of engagements, the average cost of one service for PIEs provided by audit firms that are not a member of a network increased by 20.7%.

Figure 12. Total value of one service to public interest entities, thousand UAH



Estimated cost of statutory audit for large, medium, small and micro enterprises

The diagrams below show the analytical information on the estimated cost of the statutory audit engagement and the number of man-hours spent on their performance for different size of the PIEs by different categories of AEs.



Audits of big PIEs

During the analysed period, different trends were found for companies of different size in terms of the cost and man-hours spent on statutory audit engagements for large PIEs.

For instance, decrease in the estimated average cost of performing statutory audit engagements by almost 15% or UAH 332 thousand along with almost comparable decrease in the man-hours spent on it by almost 20% or 494 man-hours was noticed for the "Big four". Audit firms of other networks showed decrease in the estimated cost of statutory audit engagements by 13% or UAH 80 thousand. However, the estimated number of man-hours spent increased by 8% or 68 man-hours. There was an increase in the estimated cost of the statutory audit engagement by 6% or UAH 15 thousand and a decrease in the estimated number of man-hours spent by 14% or 92 man-hours for audit firms that are not a member of a network during the analysed period. These trends are graphically summarized in Figures 13 and 14 and may indicate that the audit firms except for the "Big four" do not have a high correlation between the amount of fees for the statutory audit of financial statements of large enterprises and the number of man-hours required for the quality performance of such engagements. This observation is to a certain extent inherent in the audit of financial statements of medium, small and micro PIEs. This may indicate the lack of transparency in the pricing of audit services in these AEs categories.

Figure 13. Estimated cost of the statutory audit engagement of financial statements of large public interest entities, thousand UAH

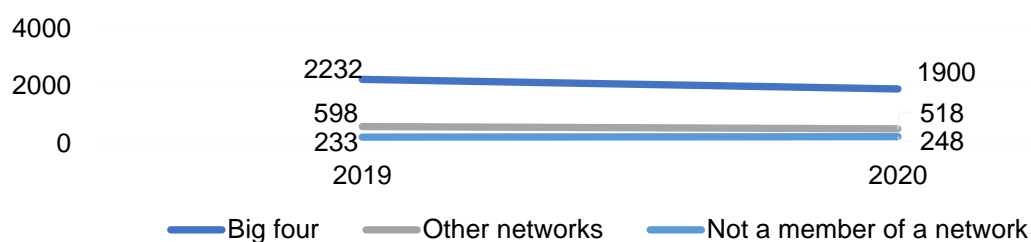
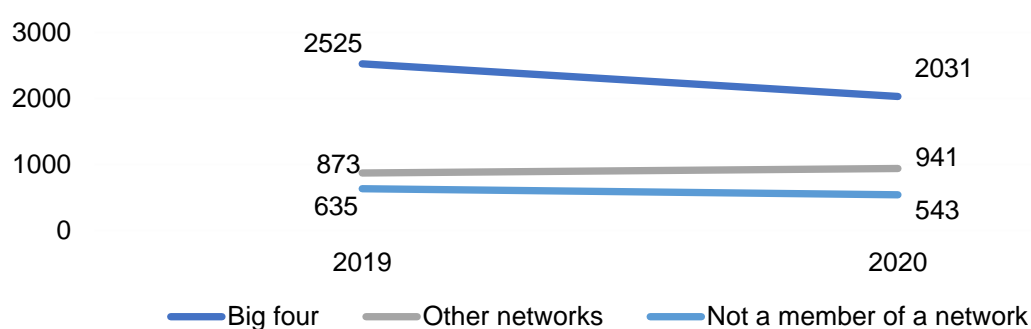


Figure 14. Estimated number of man-hours spent by AE to perform the statutory audit engagement of financial statements of large public interest entities



Audits of medium PIEs

The estimated average cost of performing a statutory audit engagement for medium-sized PIEs and the number of estimated man-hours spent by the "Big four" and audit firms of other networks decreased (Figures 15 and 16) during the analysed period. In particular, the estimated cost of performing a statutory audit engagement by the "Big four" decreased by 34% or UAH 369 thousand along with a decrease of almost 26% or 340 man-hours spent on its performance. The estimated average cost of performing statutory audit engagements for medium-sized PIEs by audit firms of other networks also decreased (by UAH 21 thousand or 8%) and the estimated average number of man-hours for their performance (by 230 man-hours or 34%). The estimated average cost of statutory audit engagement of medium-sized PIEs performed by audit firms that are not a member of a network increased by UAH 15 thousand or 12%, along with a decrease of 56 man-hours or 17% spent on its performance.

Figure 15. Estimated cost of the statutory audit engagement of financial statements of medium public interest entities, thousand UAH

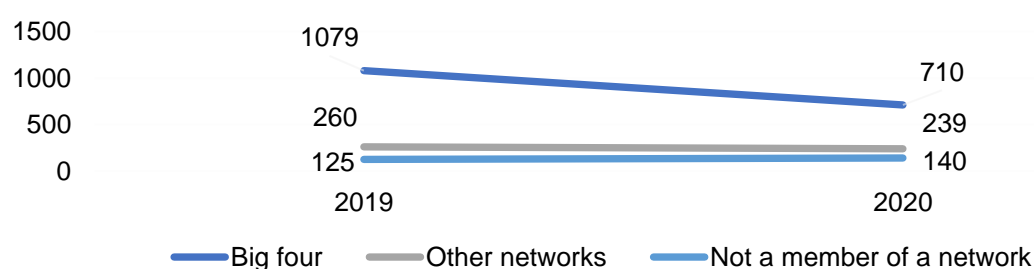
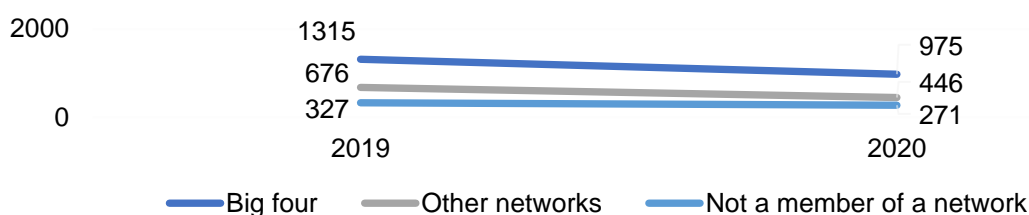


Figure 16. Estimated number of man-hours spent by AE to perform the statutory audit engagement of financial statements of medium public interest entities



Audits of small and micro PIEs

Regarding the performance of the statutory audit of small and micro PIEs, the trends are different for different categories of audit firms within the analysed period (Figures 17 and 18). The estimated average cost of performing statutory audit engagement by the "Big four" increased by UAH 219 thousand or 34%, and the number of the estimated man-hours increased significantly (by 91% or 428 man-hours).

The estimated cost of performing statutory audit engagement by audit firms of other networks decreased by UAH 36 thousand or 17%, however, the number of man-hours spent increased by 15% or 51 man-hours. The estimated cost of performing statutory audit engagement by audit firms that are not a member of a network also increased by UAH 18 thousand or 30%, while the number of the estimated man-hours spent remained unchanged.

Figure 17. Estimated cost of the statutory audit engagement of financial statements of small and micro public interest entities, thousand UAH

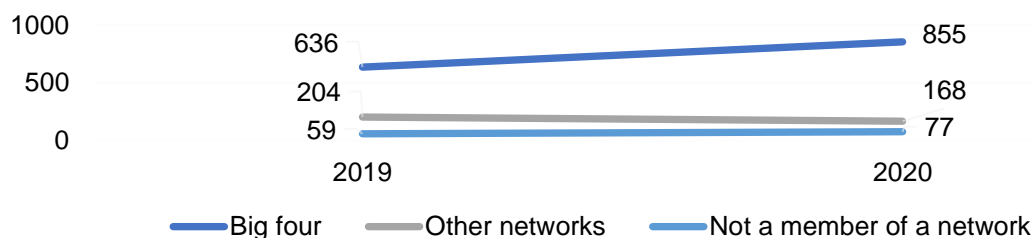
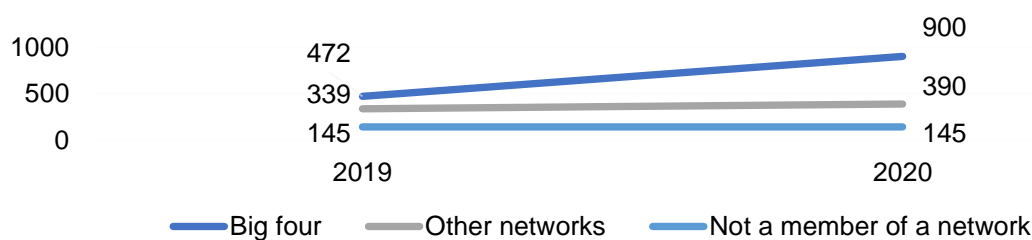


Figure 18. Estimated number of man-hours spent by AE to perform the statutory audit engagement of financial statements of small and micro public interest entities



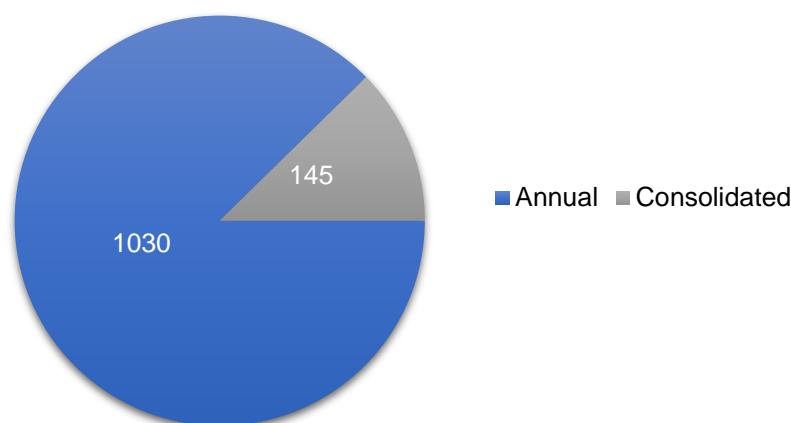


Analysis of results of audit of PIE's financial statements

This and the next subsections analyse the number and type of audit opinions on the financial statements based on the results of the statutory audit of the PIE's financial statements, as well as the change of AE in the process of the statutory audit of the PIE's financial statements.

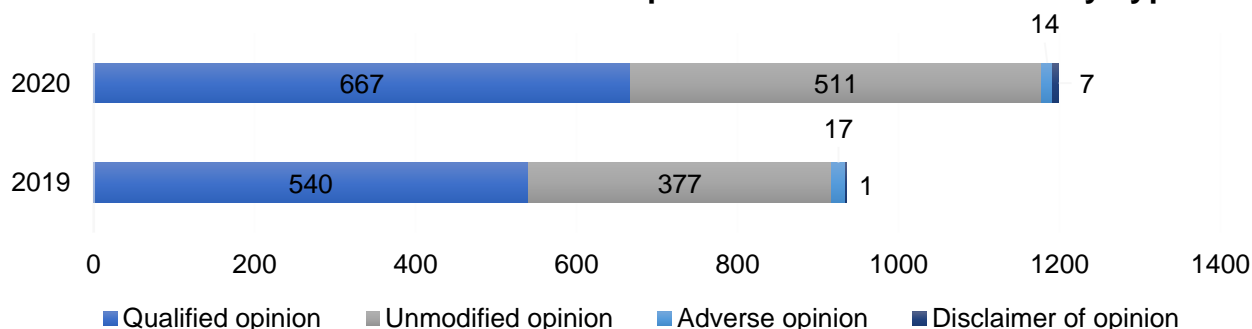
As Figure 19 shows, the AEs performed the statutory audit of 1175 annual and consolidated financial statements of PIEs in 2020, including 1030 (87%) annual financial statements and 145 (13%) consolidated financial statements.

Figure 19. Quantity of annual and consolidated financial statements of PIE for which AE has prepared audit reports based on the results of statutory audit of financial statements



Within the analysed period, among the opinions expressed by AEs based on the results of the statutory audit of PIEs in 2020 (Figure 20) qualified opinions (667 opinions or 55.6%) and unmodified opinions (511 opinions or 42.6%) prevailed. Their number increased significantly compared to last year. The number of adverse opinions expressed in 2020 was insignificant (14 or 1.2%), and in only 7 cases (0.6%) audit firms made a disclaimer of opinion.

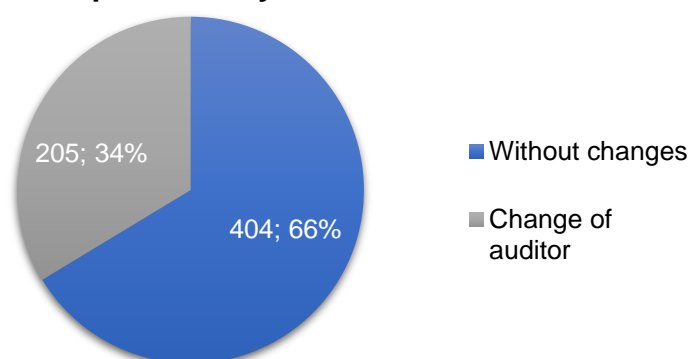
Figure 20. Distribution of AE's opinion on financial statements based on the results of the statutory audit of financial statements of public interest entities by type



Changing of AE by PIEs

According to the results of a selective survey of 609 PIEs that requested the statutory audit of their financial statements for 2018 and 2019, 66% of them did not change the AE, and 34% changed the AE.

Figure 21. Distribution of PIE for the appointment of the auditor of financial statements for 2020 compared to the previous year



205 PIEs (of 609 surveyed) that changed their auditor from 2019 to 2020:

The "Big four" firms won audits from

- ➔ 6 other "Big four" audit firms
- ➔ 5 audit firms of other networks
- ➔ 8 audit firms that are not a member of a network

Other network audit companies won audits from:

- ➔ 10 "Big four" audit firms
- ➔ 54 audit firms of other networks
- ➔ 41 audit firms that are not a member of a network

Non-network firms won audits from:

- ➔ 2 "Big four" audit firms
- ➔ 11 audit firms of other networks
- ➔ 68 audit firms that are not a member of a network

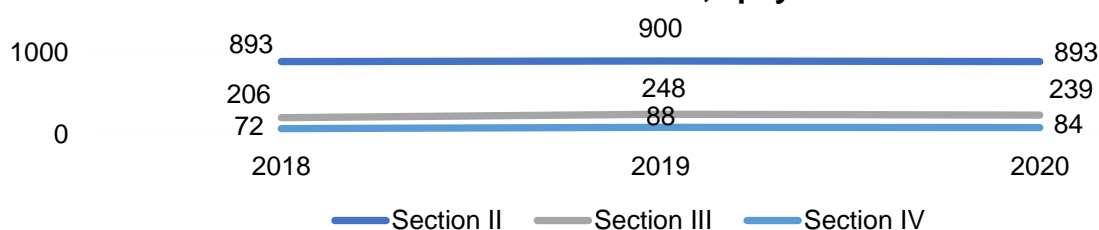
From 2019 to 2020, the "Big four" won 19 and lost 12 audits, audit firms of other networks won 105 and lost 70 audits, and audit firms that are not a member of a network won 81 and lost 109 audits. The trend is a movement of PIE audits from audit firms that are not a member of a network to audit firms of other networks.

Considering all the above, it can be concluded that the number of PIEs that prefer audit firms of other networks is increasing. In general, based on the analysed indicators, it can be stated that the market of these services is characterized by dynamic development. More detailed information on these indicators is provided in table form as annexes to this Report.

SECTION III. AUDIT ENTITIES

The number of AEs of the Section II of the Register remained unchanged within the analysed period and amounted to 893 AEs at the end of 2018 and 2020. The number of AEs entitled to perform statutory audit which are included in Section III of the Register increased by 16% or by 33 entities and amounted to 239 AEs. The number of AEs entitled to perform statutory audit of the financial statements of the PIEs (Section IV of the Register) also increased by 12 entities or 16% and amounted to 84 AEs.

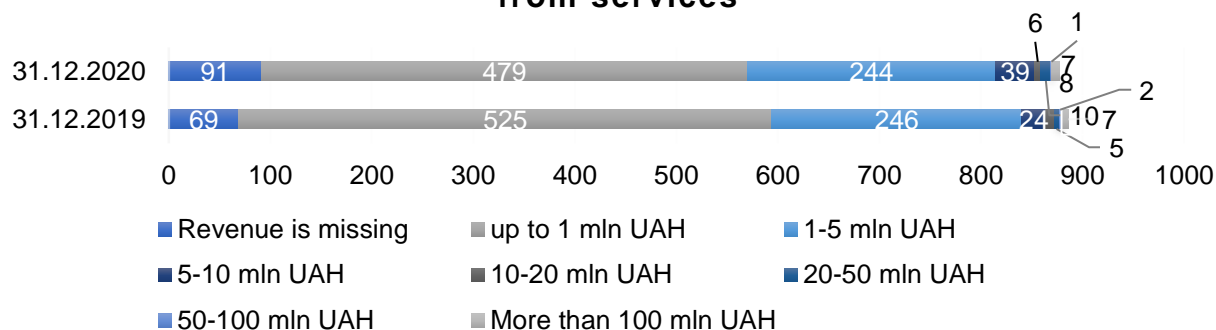
Figure 21. Structure of the Register of Auditors and Audit Entities, q-ty



The figures below show the number of AEs by revenue. Thus, more than a half of the revenue from audit in Ukraine in 2019 and 2020 was received by the 7 largest AEs.

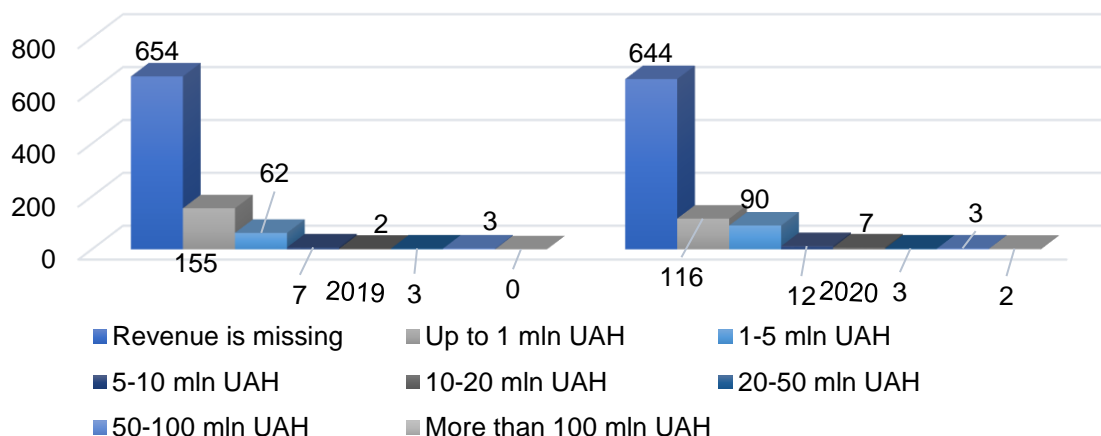
The largest share of the total revenue from the provision of services was received by AEs of the category with an income of more than UAH 100 million. Quantitatively, more than half of AEs (479 entities) receive revenue up to UAH 1 million. The number of AEs with no revenue increased by almost a third.

Figure 22. Distribution of audit entities by revenue from services



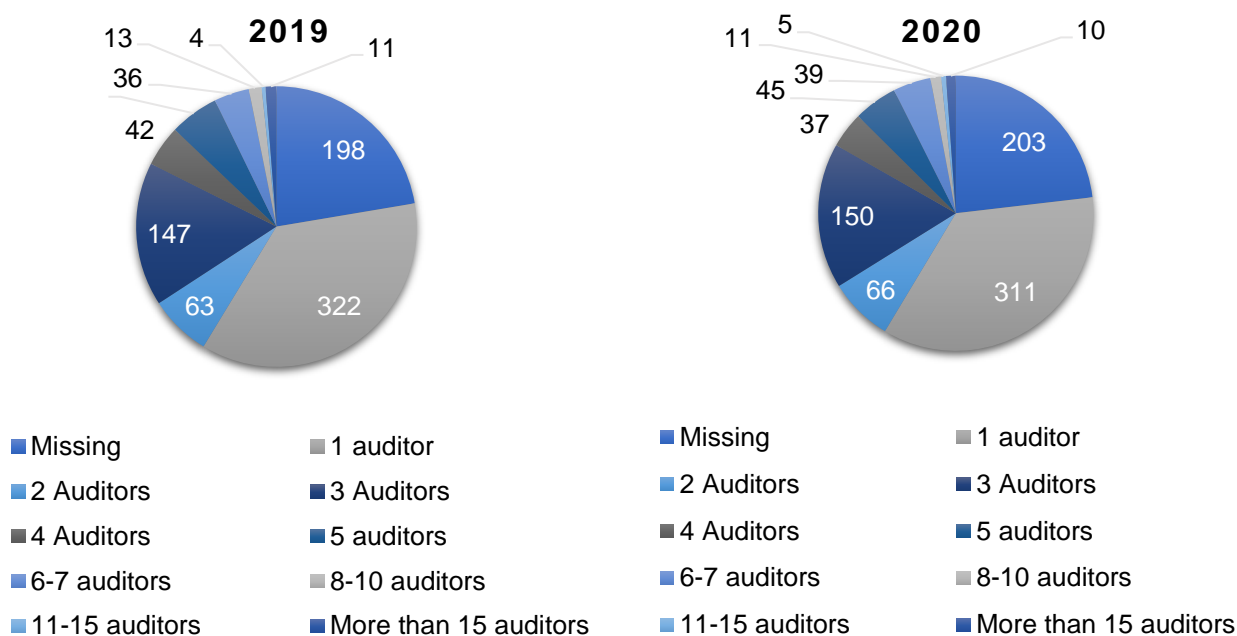
In terms of the statutory audit services provided in 2019, there were no AEs with revenue of more than UAH 100 million (Figure 23). In 2020, compared to the previous year, two AEs received revenue of more than UAH 100 million, which was a quarter of the total revenue from the statutory audit of financial statements. Also, in 2020, 3 AEs received revenue from UAH 50 to 100 million or 24% of the total revenue from the statutory audit of financial statements. Thus, in 2020, 5 AEs received almost 50% of the total revenue from the statutory audit of financial statements.

Figure 23. Distribution of audit entities by revenue from statutory audit of financial statements



As for the qualitative composition of the AEs' staff, the diagram below (Figure 24) shows the distribution of AEs by the number of auditors who work there as at the main place of work. During the analysed period, the trends have hardly changed. In 2020, 203 AEs or 23% did not have any auditors employed as at the main place of work. In 311 AEs or 35%, only 1 auditor was employed at the main place of work. Only 10 AEs employed more than 15 auditors as at the main place of work.

Figure 24. Distribution of audit entities by number of auditors working in such AEs at the main place of work



Similar information is summarized in Figure 25 for AEs entitled to perform audit of PIEs. In 2020, the majority of the AEs (27 entities or 32%), entitled to audit the PIEs, employed 5 auditors at the main place of work. More than 15 auditors were employed at the main place of work in 10 AEs entitled to perform audit of PIEs.

Figure 25. Distribution of audit entities entitled to perform PIE audit by number of auditors working in such AEs at the main place of work

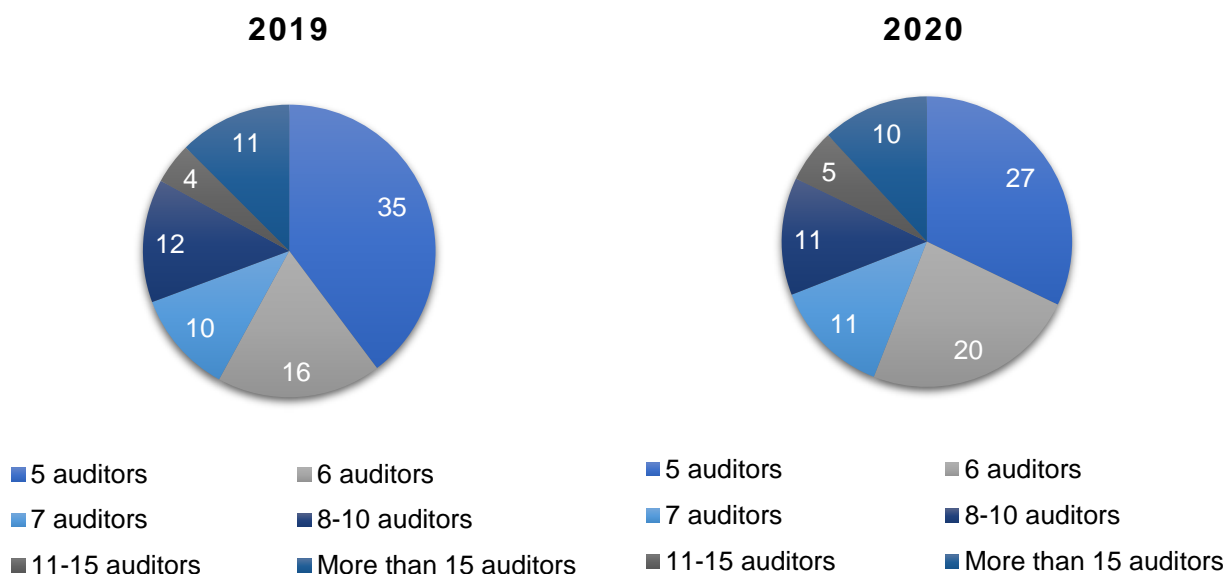
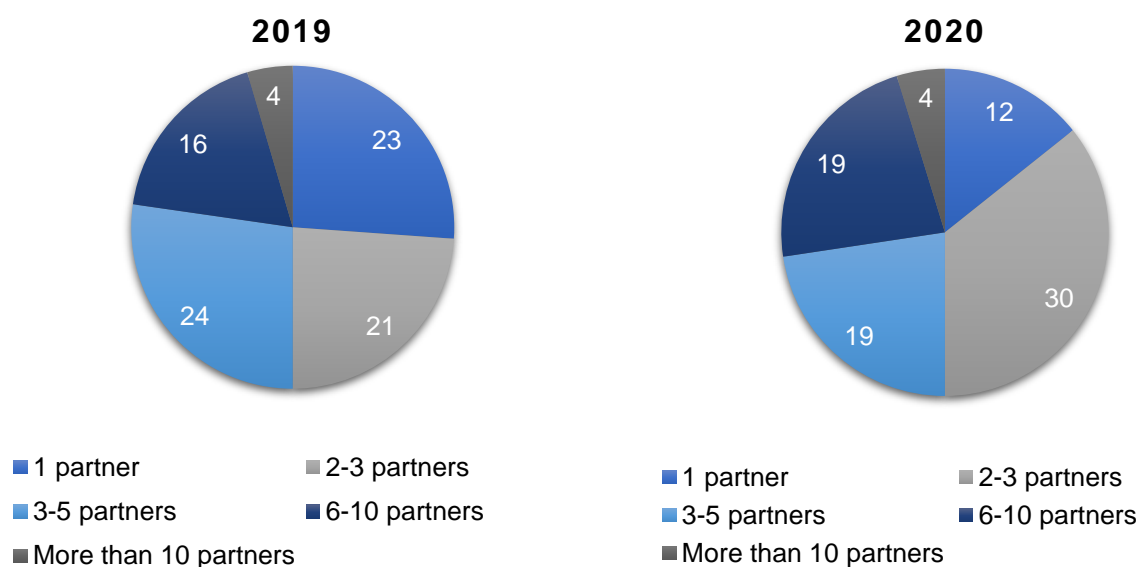


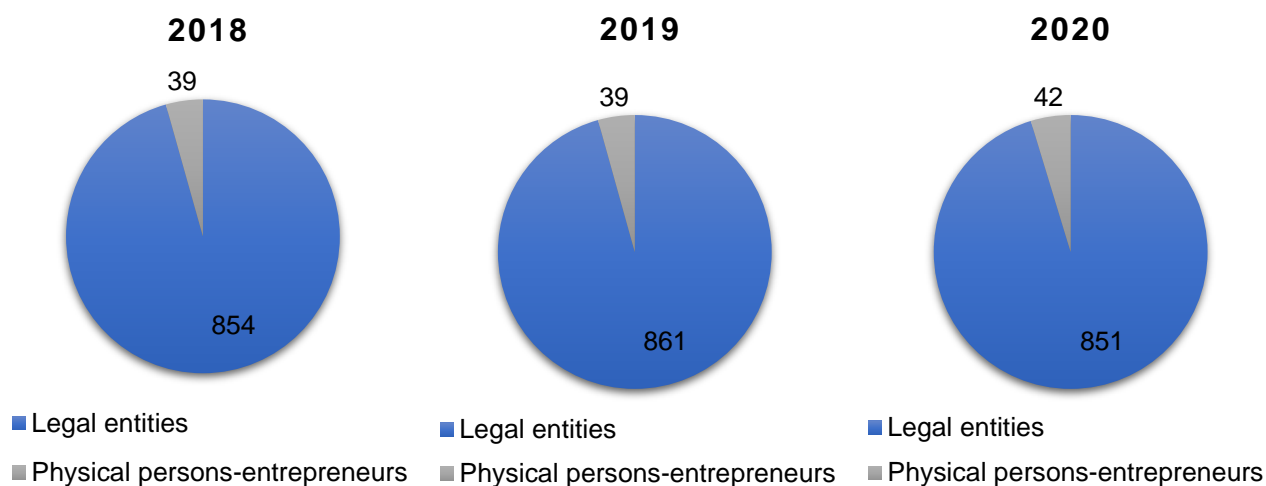
Figure 26 summarizes the analysis of AEs entitled to perform audit of PIEs by the number of key audit partners. In 2020, most of the AEs entitled to perform audit of PIEs had 2-3 key audit partners.

Figure 26. Distribution of audit entities entitled to perform PIE statutory audit by number of key audit partners



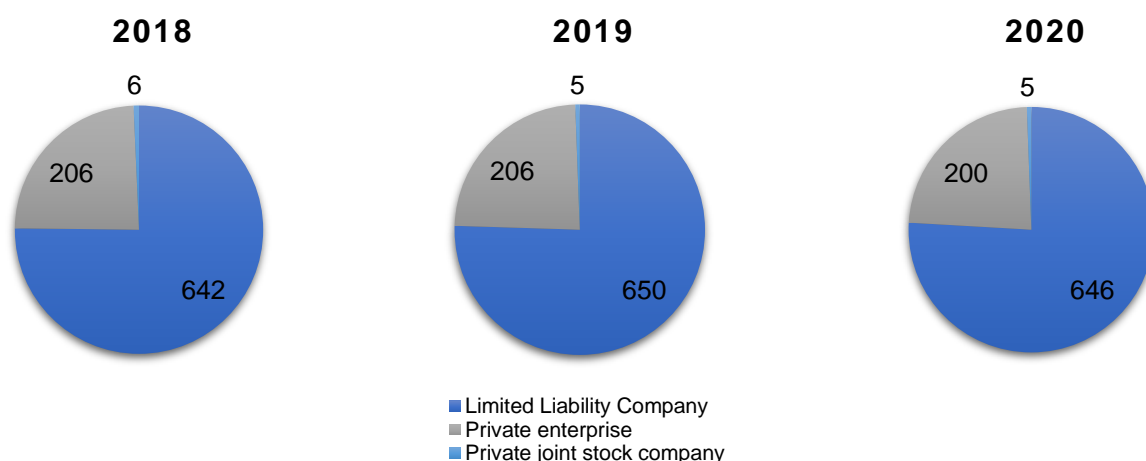
As shown in Figure 27, the ratio of AEs in terms of legal entities and individual entrepreneurs remained virtually unchanged during 2018-2020: registered as legal entities AEs prevailed, due to the complexity of the services provided.

Figure 27. Audit entities as legal entities and physical persons-entrepreneurs



As shown in Figure 28, the vast majority of AEs which are legal entities have the legal form of limited liability companies, only 5 AEs are private joint stock companies. The ratio of legal forms of AEs did not actually change in 2018-2020.

Figure 28. Distribution of audit entities - legal entities by organizational and legal form



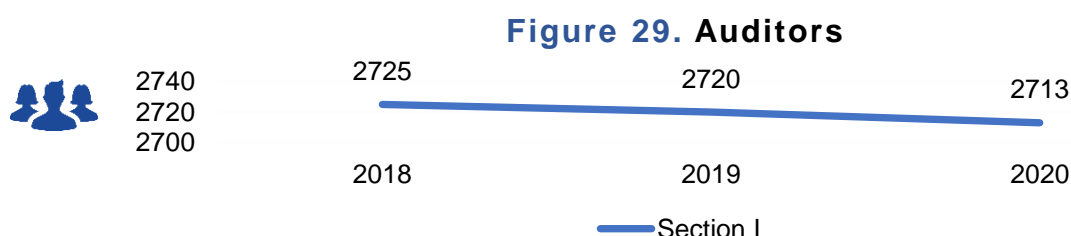
To summarize, the number of AEs did not change significantly during the analyzed period. At the same time, in 2019 and 2020, more than half of revenue from the provision of services in Ukraine was received by the 7 largest AEs. The largest share of total revenue from the provision of services was received by AEs of the category with revenue of more than UAH 100 million. Almost half of the total revenue from services of statutory audit of financial statements was received by the 5 largest AEs. More detailed information on these indicators in tables is provided in the annexes to this Report.



SECTION IV. AUDITORS

The number of registered auditors in Section I "Auditors" of the Register remained almost unchanged during the analysed period - 2725 persons at the end of 2018 and 2713 persons at the end of 2020.

Figure 29 shows the dynamics of the number of auditors in the period from 2018 to 2020.

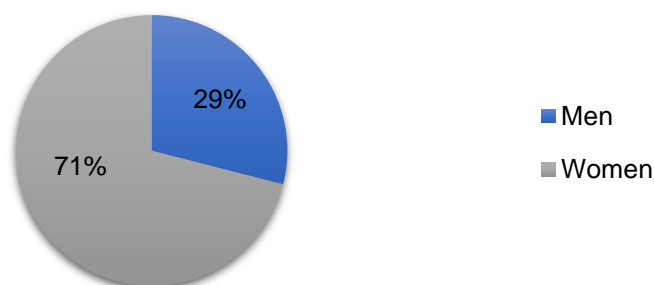


The number of auditors registered in the Register remained actually unchanged during the period from 2018 to 2020, amounting to 2.7 thousand people at the end of 2020 (Table 3). The gender ratio also remained unchanged and amounted to 71% of women and 29% of men, respectively (Figure 30).

Table 3. Quantity and gender structure of auditors

Indicators	31.12.2018	31.12.2019	31.12.2020
Auditors, persons	2 725	2 720	2 713
From them, %:			
men	29 %	29 %	29 %
women	71 %	71 %	71 %

Figure 30. Gender structure of auditors

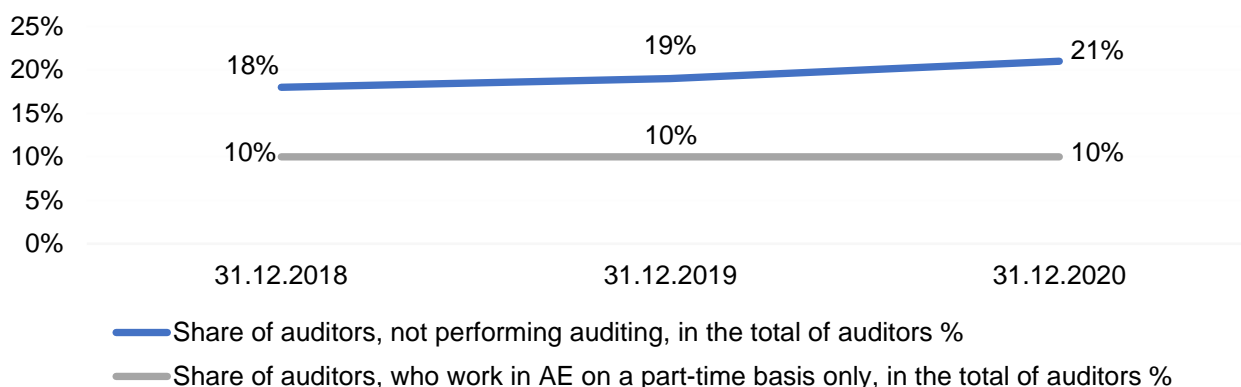


The number of auditors not performing auditing as a part of AEs increased during the period from 2018 to 2020 and amounted to 560 persons, or 21% of total number (the data is summarized in Table 4 and Figure 31).

Table 4. Auditors, not performing auditing as a part of audit entities (main place of work)

Indicators	31.12.2018	31.12.2019	31.12.2020
Auditors, not performing auditing as a part of audit entities, persons	498	515	560
Share of auditors, not performing auditing, in the total of auditors %	18 %	19 %	21 %
Auditors, who work in AE on a part-time basis only, persons	281	272	267
Share of auditors, who work in AE on a part-time basis only, in the total of auditors %	10 %	10 %	10 %

Figure 31. Auditors, not performing auditing as a part of audit entities, persons

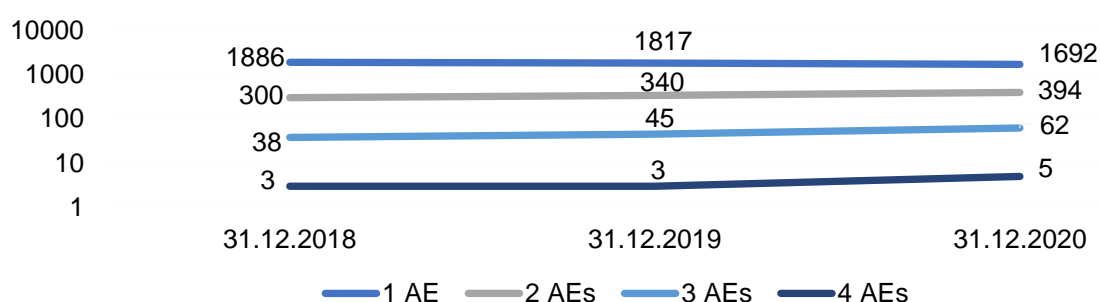


During 2018-2020 the vast majority of auditors performed auditing as part of one AE. However, there is a tendency of increasing the number of auditors working as part of more than one AE - from 15% in 2018 to 22% in 2020 (data is summarized in Table 5 and Figure 32).

Table 5. Auditors performing auditing as part of one or more audit entities, persons

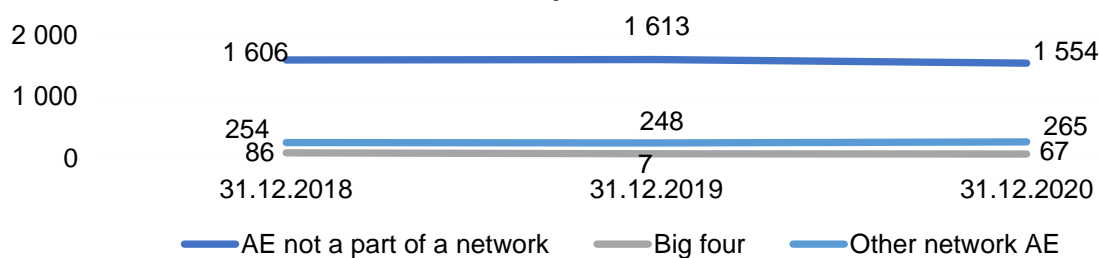
Quantity of AE	31.12.2018	31.12.2019	31.12.2020
1	1886	1817	1692
2	300	340	394
3	38	45	62
4	3	3	5
Total	2227	2205	2153

Figure 32. Auditors performing auditing as part of one or more audit entities, persons



The vast majority of auditors worked in non-network AEs as at the main place of work in 2018-2020. At the same time, the ratio between auditors employed by non-network AEs, the "Big four" and other network AEs remained virtually unchanged.

Figure 33. Auditors working at the main place of work of the audit entities by their membership in a network, persons

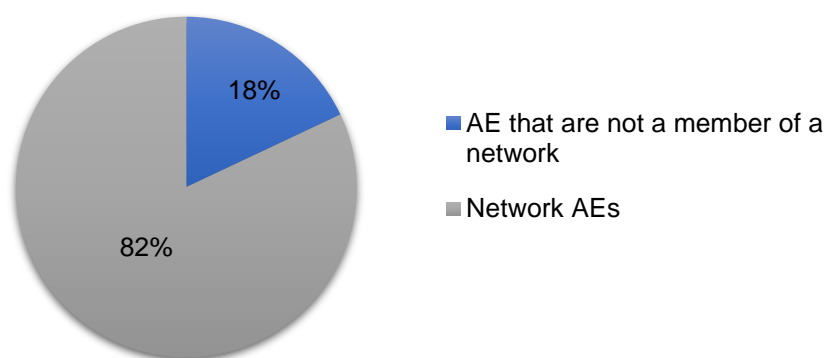


At the same time, as shown in Table 6 and Figure 34, the share of auditors who work at their main place of work in the AEs that are members of audit networks to the total number of such auditors remained almost unchanged for three consecutive years and amounted to 17-18%.

Table 6. Ratio of the number of auditors working at the main place of work in the audit entities that are members of audit networks and in non-network audit entities

Indicators	31.12.2018	31.12.2019	31.12.2020
Network AEs	17 %	17 %	18 %
AE that are not a member of a network	83 %	83 %	82 %

Figure 34. Share of auditors working at the main place of work in the audit entities that are members of audit networks and in non-network audit entities, as of 31.12.2020



The number of auditors, who work in AE and have certificates (diplomas) which confirming a high level of IFRS knowledge has been gradually increased during the analysed period. This is mainly due to obtaining DipIFR (ACCA) diplomas and diplomas of other recognized professional organizations, except ACCA (Table 7). At the same time, half of employees with DipIFR (ACCA) diploma work in non-network AEs.

Table 7. Auditors working in audit entities, who have certificates (diplomas) that indicate a high level of knowledge of IFRS, persons

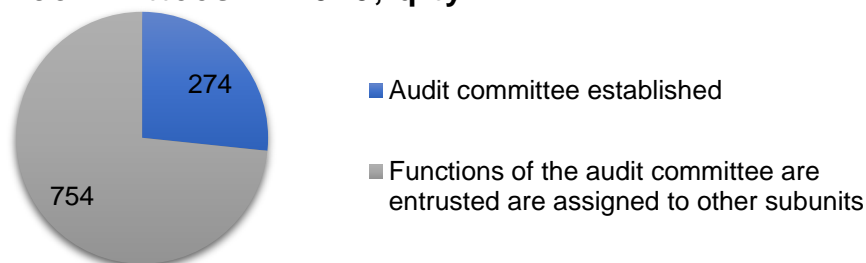
Professional organization / diploma	31.12.2019	31.12.2020
ACCA (membership)	82	80
DipIFR (ACCA)	326	334
Other	8	28
Total	416	442

As a conclusion, it can be noted that the number of auditors and their gender structure have not changed significantly. There was also a trend of increasing the number of auditors who work in more than one AE. Also, the number of auditors who work in AEs and have certificates (diplomas) confirming a high level of knowledge of IFRS is gradually increasing. More detailed information on the indicators is provided in tables in annexes to this Report.

SECTION V. WORK OF AUDIT COMMITTEES

In 2020, among the PIEs reported by AEs to the APOB, 274 PIEs or 27% had an audit committee, and 754 PIEs or 73% had audit committee functions assigned to other units.

Figure 35. PIEs by organization of the function of audit committees in 2020, q-ty



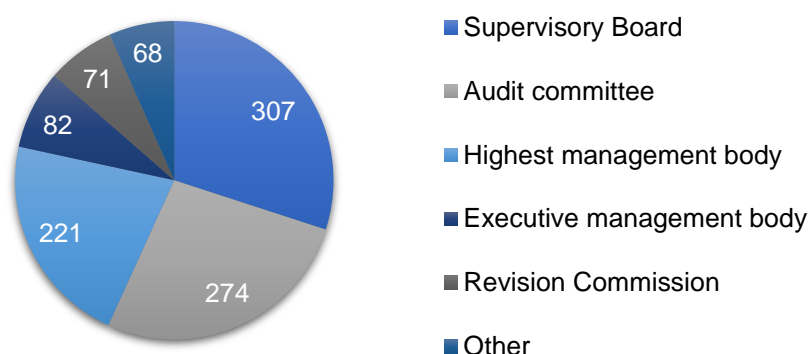
In most cases, an additional report for the audit committee was provided to the supervisory board and the audit committee.

Table 8. Distribution of PIEs that performed statutory audit of financial statements by the body to which the AE submitted an additional report to the audit committee in 2020, q-ty

Body to which the additional report to the audit committee was submitted	Quantity of entities	% to the total number of PIEs
Supervisory Board	307	30
Audit committee	274	27
Highest management body	221	21
Executive management body	82	8
Revision Commission	71	7
Other	68	7
Total	1028	100

However, in 2020 in most cases the AE for the statutory audit was appointed not by the audit committee (only 28 companies or 3%), but by the supreme management body (460 companies or 44%) and the supervisory board (401 companies or 39%).

Figure 36. Distribution of PIEs that performed statutory audit of financial statements by the body to which the AE submitted an additional report to the audit committee in 2020



The functions of the audit committee are assigned to other units in most of the PIEs. More detailed information on these indicators is provided in table form in annexes to this Report.

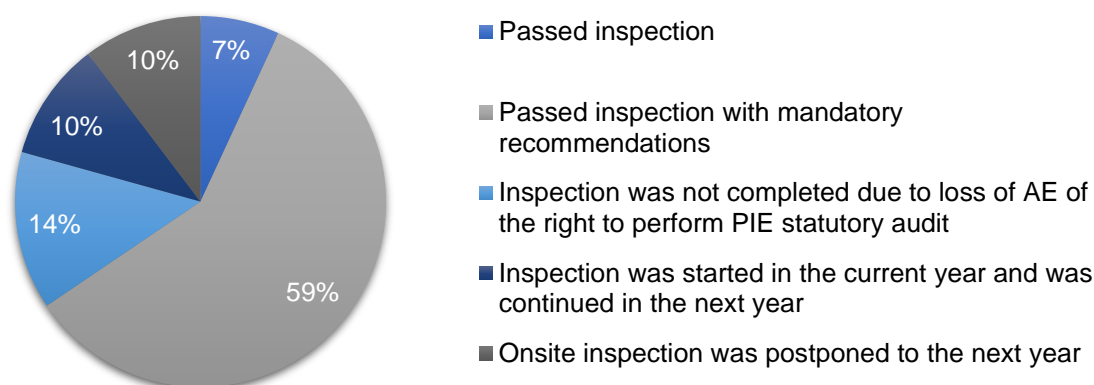
SECTION VI. OUTCOMES OF AUDIT QUALITY INSPECTIONS

During the analysed period, as summarized in Table 9 and Figure 37, the vast majority of AEs from Section IV of the Register have passed the quality control inspection with mandatory recommendations (17 AEs or 59% in 2020). In 2020, there were also 3 AEs whose on-site inspection was postponed to the next year.

Table 9. Outcomes of the audit quality inspections, AEs from IV Section of Register

Status of inspections	2019		2020	
	Quantity of AEs	%	Quantity of AEs	%
Passed inspection	1	6 %	2	7 %
Passed inspection with mandatory recommendations	8	50 %	17	59 %
Inspection was not completed due to loss of AE of the right to perform PIE statutory audit	5	31 %	4	14 %
Inspection was started in the current year and was continued in the next year	2	13 %	3	10 %
Onsite inspection was postponed to the next year	-	-	3	10 %
Total	16	100 %	29	100 %

Figure 37. Outcomes of the audit quality inspections in 2019 - 2020, AEs from IV Section of Register



Risks arising from a significant number of deficiencies in the work of the AE.

Almost 86% of the AEs from the total number of AEs for which the Inspectorate made a decision on the results of the inspection in 2019 and 2020 had at least one deficiency in their quality control system, which required corrective measures.

The most common deficiencies in the functioning of AE's internal quality control system are mainly related to:

- ineffective monitoring of quality control, non-compliance with the requirements for its periodicity, timeliness and completeness;
- insufficient attention of AE to the correction of deficiencies identified by the quality control monitoring;
- insufficient level of ensuring the objectivity of persons responsible for quality control reviews before submitting the audit report and additional report to the audit

- committee, and/or performing monitoring;
- ➔ deficiencies in the applied methodology for the audit of financial statements, including approaches to assessing the risks of material misstatement, as well as determining the auditor's actions in response to the assessed risks;
- ➔ non-compliance with the requirements for completing the final files on performed engagements, insufficient ensuring of safe storing, integrity and recoverability of audit documentation;
- ➔ insufficient level of tracking the workload of engagement partners and responding to such workload for preventing a decrease in the quality of audit services;
- ➔ weaknesses in the implemented system of assessment and remuneration of AE staff, including assessment and remuneration of engagement partners, which would stimulate, first of all, the commitment of all categories of employees to quality;
- ➔ lack of sufficient monitoring measures in the area of continuous professional training of staff, non-compliance with certain policies on training and professional development of staff;
- ➔ insufficient control over the process of annual confirmation of independence policies and procedures by the staff, notification of AE employees on policies and procedures for quality control and amendments thereto;
- ➔ insufficiency of AE's measures to identify and assess conflicts of interest from the provision of non-audit services, in particular, in relation to services provided by its related parties.

These deficiencies, as well as the frequency of their identification by quality control reviews, indicate that there is a risk that such audit firms will not fully achieve the objective of the International Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which is to establish and maintain a quality control system that provides reasonable assurance that:

- ➔ the firm itself and its personnel act in accordance with the professional standards, legal and regulatory requirements; and
- ➔ the reports provided by the firm or engagement partners are appropriate in the circumstances.

More than 89% of the AEs audited in 2019-2020 experienced difficulties in obtaining sufficient and acceptable audit evidence, preparing appropriate audit documentation, testing accounts, adequately assessing audit risks and exercising due professional care, diligence and scepticism, which is essential to ensure a quality audit.

One of the most frequent deficiencies is the insufficiency or lack of documentation on specific stages of the audit, which confirms compliance with the requirements of certain audit standards. This makes it impossible to verify the actions of the engagement partner or other team members on the engagement.

The other most common audit areas in which deficiencies were identified during quality control reviews were:

- ➔ assessment of risks of material misstatement;
- ➔ procedures for addressing fraud;
- ➔ adequacy of presentation and disclosure of information in the financial statements;
- ➔ internal control and its testing;
- ➔ accounting estimates;
- ➔ related parties;
- ➔ substantive procedures for significant items of the financial statements;
- ➔ preparation of the auditor's report.

A significant number of deficiencies in the application of most key international standards on auditing result in an increased risk that such audit firms may not obtain reasonable assurance about whether the financial statements as a whole are free from

material misstatement due to fraud or error. This could result in an audit report on the financial statements that is not appropriate with respect to the circumstances.

In case of identification of deficiencies, the relevant AE shall be provided with binding recommendations for their correction and deadlines for their correction shall be set, but not more than twelve months from the date of completion of the inspection.

In case of failure to comply with the binding recommendations following the results of the quality control inspections, the Inspectorate shall submit to the Supervisory Board a request to impose penalties.

More detailed information on the results of quality control inspections of audit services, the most common deficiencies and recommendations for their correction is provided in the Report on the Operation of the Audit Public Oversight Body in 2020.



Report on the Operation of the Audit Public Oversight Body in 2020

SECTION VII. DISCIPLINARY PROCEEDINGS OUTCOMES

The structure of the breakdown of AEs to which penalties were applied has changed during the analyzed period. Thus, in 2019, the vast majority of penalties were applied to AEs from Section III of the Register (84.6% or 22 AEs).

In 2020, penalties were applied to almost the same number of AEs of Section II of the Register (15 or 43%) and Section III of the Register (14 or 40%), and the smallest number of penalties were applied to AEs of Section IV of the Register (6 or 17%).

Figure 38. Quantity AEs subject to penalties in 2019

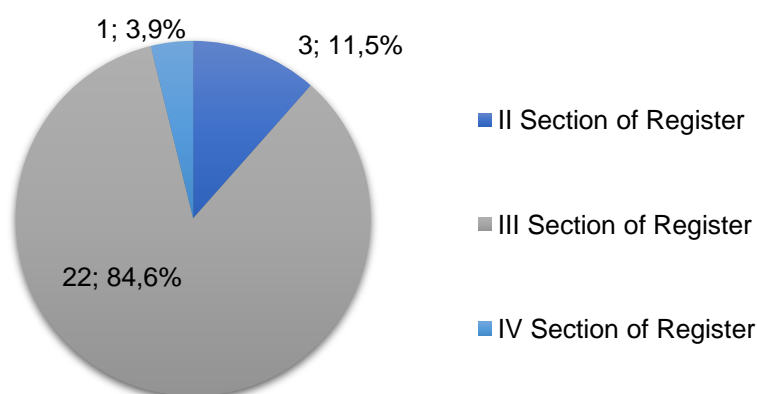
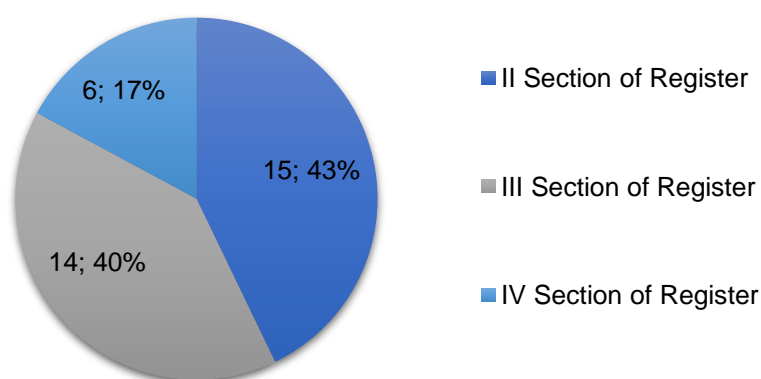


Figure 39. Quantity AEs subject to penalties in 2020



More detailed information on these indicators is provided in tables in annexes to this Report.

CONCLUSIONS

According to the results of quality and competition monitoring of the audit services market there was a quantitative and qualitative increase in the indicators of the audit services market in 2020 compared to 2019.

The volume of the services market increased by almost 11% over the year. This was caused by the accelerated growth of the total value of services provided by all categories of AE to different types of enterprises, which allowed to mitigate the impact of the decrease in the total number of related and non-audit services provided by AEs.

The share of the "Big four" in the total value of services provided by AEs decreased by 0.6 p.p. and amounted to 62.6%. At the same time, the share of audit firms of other networks increased by 3.6 p.p. from 18.6% to 22.3%, while the share of audit firms that are not a member of a network decreased by 3 p.p. to 15.1%.

In the total number of performed engagements for the PIEs the share of audit firms of other networks increased by 13.2 p.p. due to the decrease from 57.7% to 44.5% of the share of audit firms that are not a member of a network.

34 % of the surveyed PIEs changed AE for the statutory audit of financial statements, but this did not significantly affect the concentration of the "Big four" in the market. It should be noted that there was an increase in the number of PIEs that prefer audit firms of other networks when selecting an AE.

In general, it can be stated that the market segment of services for PIEs is characterized by dynamism of development. Despite the fact that the "Big four" had a prevailing position in terms of the value of services provided to the PIEs, their share in the number of such services does not indicate lack or significant limitation of market competitiveness. The highest potential for market share growth is demonstrated by audit firms from other networks.

Audit firms from other networks spend in average much more time on performing the statutory audit of the financial statements of the PIEs than audit firms that are not a member of a network. This, together with the higher cost of one man-hour for audit firms of other networks, continues to influence the higher average cost of their services.

It should be noted that the audit firms, except for the "Big four", do not have a high correlation between the amount of the fee for the statutory audit of the financial statements of the PIEs and the number of man-hours required for the efficient performance of such engagements. This may indicate the lack of transparency in the pricing of audit services in this category of AEs.

In most of the PIEs, the functions of the audit committee are assigned to other units.

The structure of the Register, including the number of auditors and AEs, has not changed significantly over the two years. More than half of the audit revenue was received by 7 largest AEs. The largest share of the total revenue from the provision of services was received by AEs of the category with the amount of revenue over UAH 100 million. Almost half of the total revenue from the statutory audit of financial statements was received by the 5 largest AEs.

The number of auditors and their gender structure did not change significantly. There was also a tendency of increasing in the number of auditors working for more than one AE. There is also a gradual increase in the number of auditors who work in AEs and have certificates (diplomas) that confirm a high level of IFRS knowledge.

During the period, penalties were imposed on almost the same number of AEs of Section II of the Register and Section III of the Register. The smallest number of AEs with penalties was for Section IV of the Register.

The annexes to this Report contain analytical indicators for each of its sections in table form, as well as the results of the survey of AEs entitled to perform statutory audit of PIEs.

ANNEX 1 – ANALYTICAL TABLES TO THE SECTION I. SIZE AND INDICATORS OF THE AUDIT MARKET IN UKRAINE

Table 1. Total number of engagements performed by the AE across the Register Sections, q-ty

Type of entity	Section II		Section III		Section IV		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
PIE	455	363	331	134	1955	2344	2741	2841
Medium	892	793	540	831	1477	1802	2909	3426
Small, micro	11575	10531	5812	5177	4513	3544	21900	19252
Other	1710	1951	2178	1856	1806	2107	5694	5914
Total	14632	13638	8861	7998	9751	9797	33244	31433

Table 2. Total cost of services provided by AE across the Register Sections, thousand UAH

Type of entity	Section II		Section III		Section IV		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
PIE	38957	33061	25087	15189	904431	1072070	968475	1120319
Medium	63942	61117	36014	71742	396106	491607	496062	624465
Small, micro	320999	342133	163883	167726	356249	335586	841131	845446
Other	53436	51216	22455	20679	489328	513334	565219	585229
Total	477334	487527	247439	275336	2146114	2412597	2870887	3175460

Table 3. Cost of one service provided by AE across the Register Sections, thousand UAH

Type of entity	Section II		Section III		Section IV		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
PIE	85,6	91,1	75,8	113,4	462,6	457,4	353,3	394,3
Medium	71,7	77,1	66,7	86,3	268,2	272,8	170,5	182,3
Small, micro	27,7	32,5	28,2	32,4	78,9	94,7	38,4	43,9
Other	31,2	26,3	10,3	11,1	270,9	243,6	99,3	99,0
Average cost of one service	32,6	35,7	27,9	34,4	220,1	246,3	86,4	101,0

Table 4. Changes in the total number of engagements performed by AE, q-ty

Type of entity	Quantity		Rate of increase		Share, %		
	2019	2020	Q-ty	%	2019	2020	Change, p.p.
PIE	2741	2841	100	3,6	8,2	9,0	0,8
Medium	2909	3426	517	17,8	8,8	10,9	2,1
Small, micro	21900	19252	-2648	-12,1	65,9	61,2	-4,7
Other	5694	5914	220	3,9	17,1	18,8	1,7
Total	33244	31433	-1811	-5,4	x	x	x

Table 5. Total value of services provided by AE, thousand UAH

Type of entity	Value, thousand UAH		Increase		Share, %		
	2019	2020	mln UAH	%	2019	2020	Change, p.p.
PIE	968475,2	1120319,3	152	15,7	33,7	35,3	1,6
Medium	496062,1	624465,4	128	25,9	17,3	19,7	2,4
Small, micro	841130,9	845445,7	4	0,5	29,3	26,6	-2,7
Other	565218,9	585229,4	20	3,5	19,7	18,4	-1,3
Total	2870887,1	3175459,8	305	10,6	x	x	x

Table 6. Total value of one service provided by AE, thousand UAH

Type of entity	Value, thousand UAH		Increase	
	2019	2020	тис грн	%
PIE	353,3	394,3	41,0	11,6
Medium	170,5	182,3	11,8	6,9
Small, micro	38,4	43,9	5,5	14,3
Other	99,3	99,0	-0,3	-0,3
Average value of one service	86,4	101,0	14,6	17,0

Table 7. Total number of services of AE by types of services for public interest entities, q-ty

Engagement	Number		Increase		Share, %		
	2019	2020	Од.	%	2019	2020	Change, p.p.
Statutory assurance engagements including audit of financial statements and / or consolidated financial statements	1101	1398	297	27,0	40,2	49,2	9,0
	935	1199	264	28,2	34,1	42,2	8,1
Initiative assurance engagements	487	389	-98	-20,1	17,8	13,7	-4,1
Related services	356	254	-102	-28,7	13,0	8,9	-4,1
Non-audit services	797	800	3	0,4	29,1	28,2	-0,9
Total	2741	2841	100	3,6	x	x	x

Table 8. Total value of services of AE by types of services for public interest entities, thousand UAH

Engagement	Value, thousand UAH		Increase		Share, %		
	2019	2020	тис грн	%	2019	2020	Change, p.p.
Statutory assurance engagements including audit of financial statements and / or consolidated financial statements	407162	596340	189178	46,5	42,0	53,2	11,2
	397538	583 892	186354	46,9	41,0	52,1	11,1
Initiative assurance engagements	318059	301182	-16877	-5,3	32,8	26,9	-5,9
Related services	107361	56 288	-51073	-47,6	11,1	5,0	-6,1
Non-audit services	135893	166509	30616	22,5	14,0	14,9	0,9
Total	968475	1120319	151844	15,7	x	x	x

Table 9. Total value of one service of AE by types of services for public interest entities, thousand UAH

Engagement	Value, thousand UAH		Increase	
	2019	2020	тис. грн	%
Statutory assurance engagements including audit of financial statements and / or consolidated financial statements	369,8	426,6	56,8	15,4
	425,2	487,0	61,8	14,5
Initiative assurance engagements	653,1	774,2	121,1	18,5
Related services	301,6	221,6	-80,0	-26,5
Non-audit services	170,5	208,1	37,6	22,0
Average value of one service	353,3	394,3	41,0	11,6

Table 10. Total number of services of AE by types of services for all entities, q-ty

Engagement	PIE		Medium		Small, micro		Other		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Statutory assurance engagements	1101	1398	566	1592	4251	4141	261	227	6179	7358
including audit of financial statements and / or consolidated financial statements	935	1199	501	1529	3239	3060	227	177	4902	5965
Initiative assurance engagements	487	389	592	397	2637	2661	748	668	4464	4115
Related services	356	254	352	237	3592	2874	828	696	5128	4061
Non-audit services	797	800	1399	1200	11420	9576	3857	4323	17473	15899
Total	2741	2841	2909	3426	21900	19252	5694	5914	33244	31433

Table 11. Total value of services of AE by types of services for all entities, thousand UAH

Engagement	PIE		Medium		Small, micro		Other		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Statutory assurance engagements	407162	596340	86120	277326	96329	128448	13008	9316	602619	1011431
including audit of financial statements and / or consolidated financial statements	397538	583892	84795	274187	85210	113353	12455	8387	579998	979819
Initiative assurance engagements	318059	301182	145219	114451	165514	171976	284030	196808	912822	784415
Related services	107361	56288	37497	29167	125750	105409	39199	45103	309807	235966
Non-audit services	135893	166509	227226	203522	453538	439613	228982	334003	1045639	1143647
Total	968475	1120319	496062	624465	841131	845446	565219	585229	2870887	3175460

Table 12. Average value of one service of AE by types of services for all entities, thousand UAH

Engagement	PIE		Medium		Small, micro		Other		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Statutory assurance engagements	370	427	152	174	23	31	50	41	98	137
including audit of financial statements and / or consolidated financial statements	425	487	169	179	26	37	55	47	118	164
Initiative assurance engagements	653	774	245	288	63	65	380	295	204	191
Related services	302	222	107	123	35	37	47	65	60	58
Non-audit services	171	208	162	170	40	46	59	77	60	72
Average value of one service	353	394	171	182	38	44	99	99	86	101

ANNEX 2 – ANALYTICAL TABLES TO THE SECTION II. COMPETITION IN THE MARKET OF AUDIT SERVICES PROVIDED TO PUBLIC INTEREST ENTITIES

Table 13. Total number of engagements performed for public interest entities, q-ty

Engagement	Big four		Other networks		Not a member of a network		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
Statutory assurance engagements including audit of financial statements and / or consolidated financial statements	141	207	254	466	704	725	1099	1398
Initiative assurance engagements	214	236	129	93	147	60	490	389
Related services	65	31	62	42	229	181	356	254
Non-audit services	168	372	126	130	502	298	796	800
Total	588	846	571	731	1582	1264	2741	2841

Table 14. Total value of services to public interest entities, thousand UAH

Engagement	Big four		Other networks		Not a member of a network		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
Statutory assurance engagements including audit of financial statements and / or consolidated financial statements	223292	320085	104181	181917	79689	94338	407162	596340
Initiative assurance engagements	252186	255269	53173	40088	12700	5825	318059	301182
Related services	74475	27599	11160	7915	21726	20774	107361	56288
Non-audit services	62558	98174	11806	20082	61529	48254	135893	166509
Total	612511	701127	180320	250002	175644	169190	968475	1120319

Table 15. Average value of one service to public interest entities, thousand UAH

Engagement	Big four		Other networks		Not a member of a network		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
Statutory assurance engagements including audit of financial statements and / or consolidated financial statements	1584	1546	410	390	113	130	370	427
Initiative assurance engagements	1178	1082	412	431	86	97	649	774
Related services	1146	890	180	188	95	115	302	222
Non-audit services	372	264	94	154	123	162	171	208
Average value of one service	1042	829	316	342	111	134	353	394

Table 16. Estimated cost of the statutory audit engagement of financial statements of large public interest entities, thousand UAH

Category of AE	31.12.2019		31.12.2020	
	Average value	Median	Average value	Median
Big four	2232	1372	1900	1331
Other networks	598	403	518	368
Not a member of a network	233	195	248	203

Table 17. Estimated number of man-hours spent by AE to perform the statutory audit engagement of financial statements of large public interest entities

Category of AE	31.12.2019		31.12.2020	
	Average value	Median	Average value	Median
Big four	2525	1740	2031	1454
Other networks	873	677	941	658
Not a member of a network	635	519	543	445

Table 18. Estimated cost of the statutory audit engagement of financial statements of medium public interest entities, thousand UAH

Category of AE	31.12.2019		31.12.2020	
	Average value	Median	Average value	Median
Big four	1079	987	710	568
Other networks	260	222	239	216
Not a member of a network	125	114	140	130

Table 19. Estimated number of man-hours spent by AE to perform the statutory audit engagement of financial statements of medium public interest entities

Category of AE	31.12.2019		31.12.2020	
	Average value	Median	Average value	Median
Big four	1315	1400	975	964
Other networks	676	512	446	398
Not a member of a network	327	250	271	217

Table 20. Estimated cost of the statutory audit engagement of financial statements of small and micro public interest entities, thousand UAH

Category of AE	31.12.2019		31.12.2020	
	Average value	Median	Average value	Median
Big four	636	636	855	855
Other networks	204	93	168	100
Not a member of a network	59	53	77	70

Table 21. Estimated number of man-hours spent by AE to perform the statutory audit engagement of financial statements of small and micro public interest entities

Category of AE	31.12.2019		31.12.2020	
	Average value	Median	Average value	Median
Big four	472	472	900	900
Other networks	339	274	390	208
Not a member of a network	145	118	145	121

Table 22. Quantity of annual and consolidated financial statements of PIE for which AE has prepared audit reports based on the results of statutory audit of financial statements

Financial statements	31.12.2020
Annual	1030
Consolidated	145
Total	1175

Table 23. Distribution of AE's opinion on financial statements based on the results of the statutory audit of financial statements of public interest entities

Type of opinion on financial statements	31.12.2019	31.12.2020
qualified opinion	540	667
unmodified opinion	377	511
adverse opinion	17	14
disclaimer of opinion	1	7
Total	935	1199

Table 24. Distribution of PIE for the appointment of the auditor of financial statements for 2020 compared to the previous year (according to the results of the sample survey of 609 PIEs)

	31.12.2020	%
Without changes	404	66,3 %
Change of auditor	205	33,7 %
Total	609	100,0 %

Table 25. Distribution of PIEs that changed the auditor of the financial statements for 2020 compared to the previous year (according to a sample of 205 PIEs that changed the auditor of their financial statements)

Auditor of financial statements for 2019	Auditor of financial statements for 2020	Quantity of PIE	% from the total quantity	% from the group
Big four	Big four	6	2,9 %	31,6 %
Other networks	Big four	5	2,4 %	26,3 %
Not a member of a network	Big four	8	3,9 %	42,1 %
Big four total		19	9,3 %	100,0 %
Big four	Other networks	10	4,9 %	9,5 %
Other networks	Other networks	54	26,3 %	51,4 %
Not a member of a network	Other networks	41	20,0 %	39,0 %
Other networks total		105	51,2 %	100,0 %
Big four	Not a member of a network	2	1,0 %	2,5 %
Other networks	Not a member of a network	11	5,4 %	13,6 %
Not a member of a network	Not a member of a network	68	33,2 %	84,0 %
Not a member of a network total		81	39,5 %	100,0 %
Total		205	100,0 %	

ANNEX 3 – ANALYTICAL TABLES TO THE SECTION III. AUDIT ENTITIES

Table 26. Structure of the Register of Auditors and Audit Entities

Quantity	Auditors	AE		
		Total AE	Including AE entitled to perform: Statutory audit Section III	Statutory audit of PIE Section IV
	Section I	Section II		
Date				
31.12.2018	2725	893	206	72
31.12.2019	2720	900	248	88
31.12.2020	2713	893	239	84

Table 27. Distribution of audit entities by revenue from services

Category of AE by revenue	31.12.2019		31.12.2020	
	AE	Revenue from services, thousand UAH	AE	Revenue from services, thousand UAH
Revenue is missing	69	-	91	-
up to 1 mln UAH	525	200395	479	189995
1-5 mln UAH	246	593664	244	572245
5-10 mln UAH	24	152936	39	243305
10-20 mln UAH	8	119488	6	81964
20-50 mln UAH	5	150632	10	326688
50-100 mln UAH	2	146067	1	69227
More than 100 mln UAH	7	1507705	7	1692036
Total	886	2870887	877	3175460

Table 28. Distribution of audit entities by revenue from statutory audit of financial statements

Category of AE by revenue from statutory audit of financial statements	31.12.2019		31.12.2020	
	AE	Revenue from services, thousand UAH	AE	Revenue from services, thousand UAH
Revenue is missing	654	-	644	-
Up to 1 mln UAH	155	51825	116	46943
1-5 mln UAH	62	128711	90	204727
5-10 mln UAH	7	42337	12	75280
10-20 mln UAH	2	22969	7	90416
20-50 mln UAH	3	108168	3	78676
50-100 mln UAH	3	225988	3	234369
More than 100 mln UAH	-	-	2	249408
Total	886	579998	877	979819

Table 29. Distribution of AEs by number of auditors working in such AEs at the main place of work

Category of AE by number of auditors	31.12.2019	31.12.2020
Missing	198	203
1 auditor	322	311
2 Auditors	63	66
3 Auditors	147	150
4 Auditors	42	37
5 auditors	50	45
6-7 auditors	36	39
8-10 auditors	13	11
11-15 auditors	4	5
More than 15 auditors	11	10
Total	886	877

Table 30. Distribution of audit entities entitled to perform PIE audit by number of auditors working in such AEs at the main place of work

Category of AE by number of auditors	31.12.2019	31.12.2020
5 auditors	35	27
6 auditors	16	20
7 auditors	10	11
8-10 auditors	12	11
11-15 auditors	4	5
More than 15 auditors	11	10
Total	88	84

Table 31. Distribution of audit entities by number of full-time employees, including employees working in the AE at the main place of work, part-time employees, employees involved in the provision of audit services, technical staff

Category of AE by number of employees	31.12.2019	31.12.2020
Missing	19	14
1 person	254	248
2-3 persons	212	223
4-5 persons	142	135
6-10 persons	136	142
11-15 persons	74	57
16-25 persons	25	30
26-50 persons	9	14
51-100 persons	7	5
More than 100 persons	8	9
Total	886	877

Table 32. Distribution of audit entities entitled to perform PIE statutory audit by number of full-time employees, including employees working in the AE at the main place of work, part-time employees, employees involved in the provision of audit services, technical staff

Category of AE by number of employees	31.12.2019	31.12.2020
10 persons	8	11
11-15 persons	43	28
16-25 persons	16	20
26-50 persons	6	11
51-100 persons	7	5
More than 100 persons	8	9
Total	88	84

Table 33. Distribution of audit entities entitled to perform PIE statutory audit by number of key audit partners

Quantity of key partners	31.12.2019	31.12.2020
1 partner	23	12
2-3 partners	21	30
3-5 partners	24	19
6-10 partners	16	19
More than 10 partners	4	4
Total	88	84

Table 34. Changes in the number of founders (members)

Changes in the distribution of shares	2019				2020			
	Q-ty	4 Section	3 Section	2 Section	Q-ty	4 Section	3 Section	2 Section
>50% new members	16	6	2	8	13	3	4	6
from 10% to 50% new members	12	2	4	6	14	4	4	6
Less than 10% new members	3	2	-	1	1	1	-	0
changes among current members at the beginning of the year	20	2	8	10	18	5	3	10
Total	51	12	14	25	46	13	11	22

Table 35. Changes in the number of founders (members) and leadership of AE

Changes	2019	2020
Number of new members (founders)	43	37
Number of persons that fully left from members (founders)	54	45
Number of members that increased their share	29	23
Number of members that increased their share	19	21
Number of AE that changed leadership during the year	26	25

Table 36. Audit entities as legal entities and physical persons-entrepreneurs

	31.12.2018	31.12.2019	31.12.2020
Legal entities	854	861	851
Physical persons-entrepreneurs	39	39	42
Total	893	900	893

Table 37. Distribution of audit entities - legal entities by organizational and legal form

	31.12.2018	31.12.2019	31.12.2020
Limited Liability Company	642	650	646
Private enterprise	206	206	200
Private joint stock company	6	5	5
Total	854	861	851

ANNEX 4 – ANALYTICAL TABLES TO THE SECTION IV. AUDITORS

Table 38. Quantity and gender structure of auditors

Indicators	31.12.2018	31.12.2019	31.12.2020
Auditors, persons	2 725	2 720	2 713
From them, %:			
men	29 %	29 %	29 %
women	71 %	71 %	71 %
Auditors, not performing auditing as a part of audit entities, persons	498	515	560
Share of auditors, not performing auditing, in the total of auditors	18 %	19 %	21 %

Table 39. Auditors working at the main place of work of the audit entities by their membership in a network

AE by networks	31.12.2018	31.12.2019	31.12.2020
AE not a part of a network	1 606	1 613	1 554
Big four	86	72	67
Other network AE	254	248	265
Total	1 946	1 933	1 886

Table 40. Auditors working in the audit entities at the main place of work, by register sections, persons

Register Sections	31.12.2018	31.12.2019	31.12.2020
Section II	821	638	636
Section III	491	567	541
Section IV	634	728	709
Total	1946	1933	1886

Table 41. Auditors working in the audit entities only part-time

Indicators	31.12.2018	31.12.2019	31.12.2020
Quantity of auditors, persons	281	272	267
% from the total of auditors	10 %	10 %	10 %

Table 42. Auditors performing auditing as part of one or more audit entities, persons

Quantity of AE	31.12.2018	31.12.2019	31.12.2020
1	1886	1817	1692
2	300	340	394
3	38	45	62
4	3	3	5
Total	2227	2205	2153

Table 43. Distribution of auditors by number of AEs, in which they are leaders, persons

Quantity of AEs	31.12.2018	31.12.2019	31.12.2020
1	755	748	736
2	40	44	45
3	5	7	7
4	1	1	1
Total	801	800	789

Table 44. Ratio of the number of auditors working at the main place of work in the audit entities that are members of audit networks and in non-network audit entities

Category of AE	31.12.2018	31.12.2019	31.12.2020
AE that are not a member of a network	17 %	17 %	18 %
Network AEs	83 %	83 %	82 %

Table 45. Key audit partners working at the main place of work in the audit entities, persons

Register Sections	31.12.2018	31.12.2019	31.12.2020
Section II	167	157	154
Section III	254	254	253
Section IV	284	292	322
Total	705	703	729

Table 46. Key audit partners working part-time in the audit entities, persons

Register Sections	31.12.2018	31.12.2019	31.12.2020
Section II	62	65	79
Section III	23	26	43
Section IV	33	35	34
Total	118	126	156

Table 47. Auditors working in audit entities entitled to perform statutory audit of financial statements, persons

	31.12.2018	31.12.2019	31.12.2020
Auditors working in audit entities entitled to perform statutory audit of financial statements, including:	1331	1551	1546
Auditors working at the main place of work	1125	1295	1250
Auditors working part-time or in another way involved in auditing	206	256	296
Auditors working in audit entities entitled to perform statutory audit of financial statements of PIEs, including:	765	869	861
Auditors working at the main place of work	634	728	709
Auditors working part-time or in another way involved in auditing	131	141	152

Table 48. Auditors working in audit entities, who have certificates (diplomas) that indicate a high level of knowledge of IFRS, persons

Professional organization / diploma	31.12.2019	31.12.2020
ACCA (membership)	82	80
DipIFR (ACCA)	326	334
Other	8	28
Total	416	442

Table 49. Employees, except for auditors working in audit entities, who have certificates (diplomas) that indicate a high level of knowledge of IFRS, persons

Professional organization / diploma	31.12.2019	31.12.2020
ACCA (membership)	137	109
DipIFR (ACCA)	148	142
Other	-	13
Total	285	264

Table 50. Employees, who work at the main place of work in the audit entities and are members of the Association of Chartered Certified Accountants or the American Institute of Certified Public Accountants, persons

AE by networks	31.12.2019	31.12.2020
Big four	143	111
Other network AEs	60	62
Non-network AEs	8	8
Total	211	181

Table 51. Employees, who work at the main place of work in the audit entities and have Diploma in International Financial reporting ACCA, persons

AE by networks	31.12.2019	31.12.2020
Non-network AEs	278	280
Big four	4	7
Other network AEs	157	156
Total	439	443

Table 52. Auditors, who work at the main place of work in the audit entities, by the size of such audit entities, depending on the revenue from the provision of services

Category of AE by revenue	31.12.2019		31.12.2020	
	AE	Auditors	AE	Auditors
Missing revenue	69	27	91	55
Up to 1 mln UAH	525	699	479	587
1-5 mln UAH	246	769	244	742
5-10 mln UAH	24	123	39	168
10-20 mln UAH	8	84	6	53
20-50 mln UAH	5	72	10	140
50-100 mln UAH	2	23	1	20
More than 100 mln UAH	7	136	7	121
Total	886	1933	877	1886

ANNEX 5 – ANALYTICAL TABLES TO THE SECTION V. WORK OF AUDIT COMMITTEES

Table 53. PIEs by organization of the function of audit committees in 2020, q-ty

Organization of the function of audit committee	Quantity of entities
Audit committee established	274
Functions of the audit committee are entrusted are assigned to other subunits	754
Total	1028

Table 54. Distribution of PIEs that performed statutory audit of financial statements by the body that had appointed the audit entity to perform statutory audit in 2020, q-ty

Appointment bodies	Quantity of entities
Highest management body	460
Supervisory Board	401
Executive management body	131
Audit committee	28
Tender committee	15
Other	6
Total	1041

Table 55. Distribution of PIEs that performed statutory audit of financial statements by the body to which the AE submitted an additional report to the audit committee in 2020, q-ty

Body to which the additional report to the audit committee was submitted	Quantity of entities
Supervisory Board	307
Audit committee	274
Highest management body	221
Executive management body	82
Revision Commission	71
Supervisory Board Committee	23
Internal audit unit	15
Unit of the executive management body	7
Tender committee	5
Board of directors	3
Other	20
Total	1028

ANNEX 6 – ANALYTICAL TABLES TO THE SECTION VI. OUTCOMES OF AUDIT QUALITY INSPECTIONS

Table 56. Outcomes of the audit quality inspections in 2019 - 2020, AEs from IV Section of Register

Status of inspections	2019		2020	
	Quantity of AEs	%	Quantity of AEs	%
Passed inspection	1	6 %	2	7 %
Passed inspection with mandatory recommendations	8	50 %	17	59 %
Inspection was not completed due to loss of AE of the right to perform PIE statutory audit	5	31 %	4	14 %
Inspection was started in the current year and was continued in the next year	2	13 %	3	10 %
Onsite inspection was postponed to the next year	-	-	3	10 %
Total	16	100 %	29	100 %

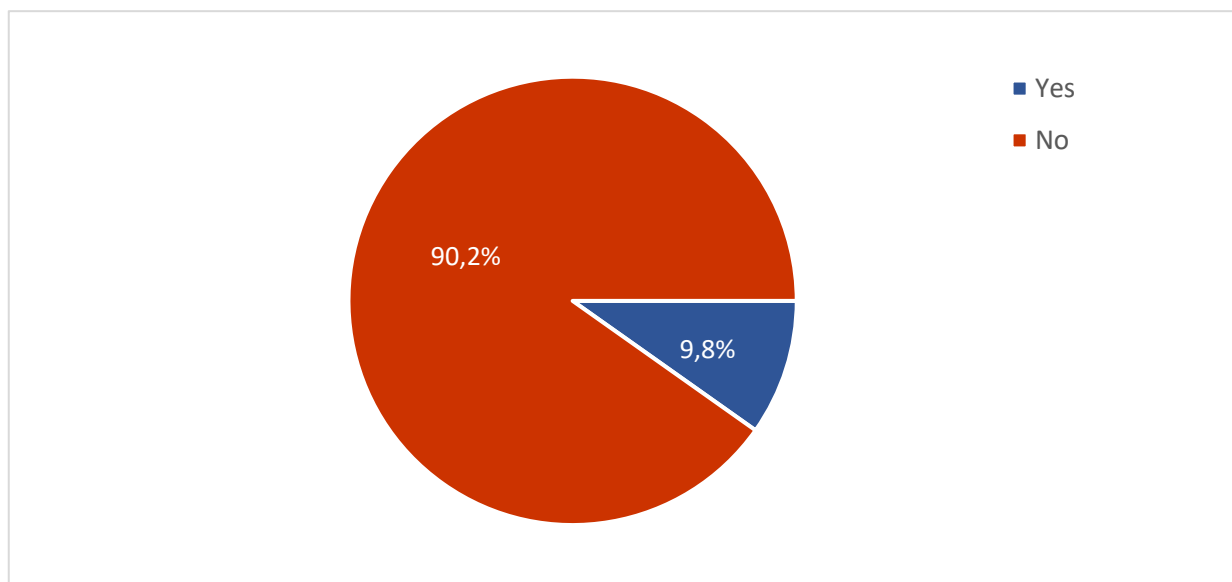
ANNEX 7 – ANALYTICAL TABLES TO THE SECTION VII. DISCIPLINARY PROCEEDINGS OUTCOMES

Table 57. Quantity AEs subject to penalties in 2019-2020, q-ty

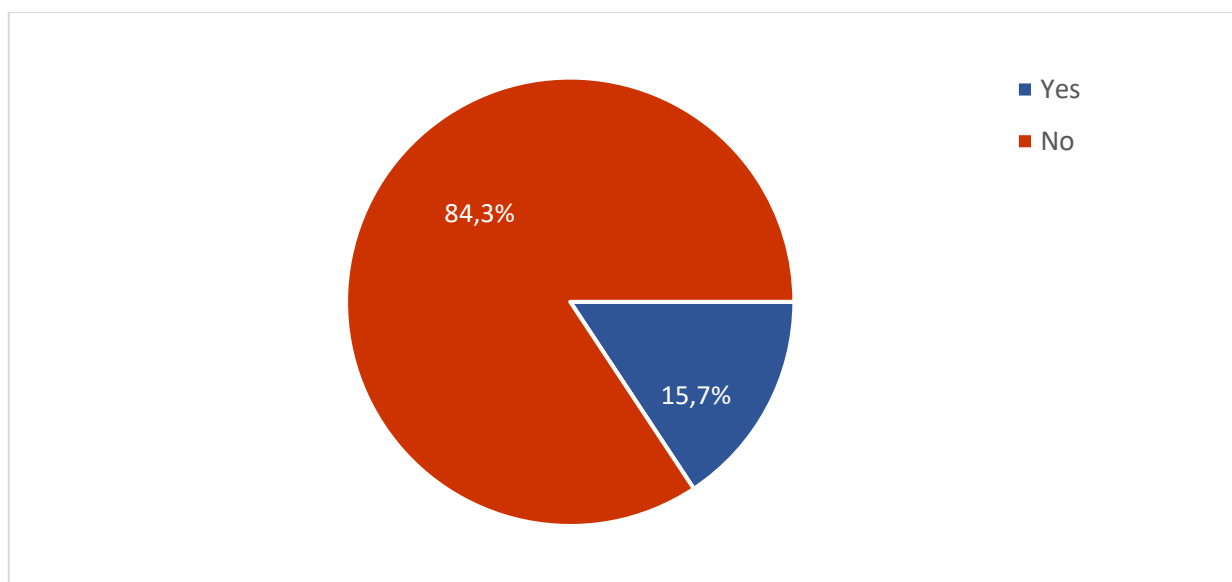
Distribution of AEs by Register Sections	2019		2020	
	Quantity AE	%	Quantity AE	%
II Section of Register	3	11,5	14	43,8
III Section of Register	22	84,6	12	37,5
IV Section of Register	1	3,9	6	18,7
Total	26	100	32	100

ANNEX 8 – RESULTS OF SURVEYS OF AUDIT ENTITIES

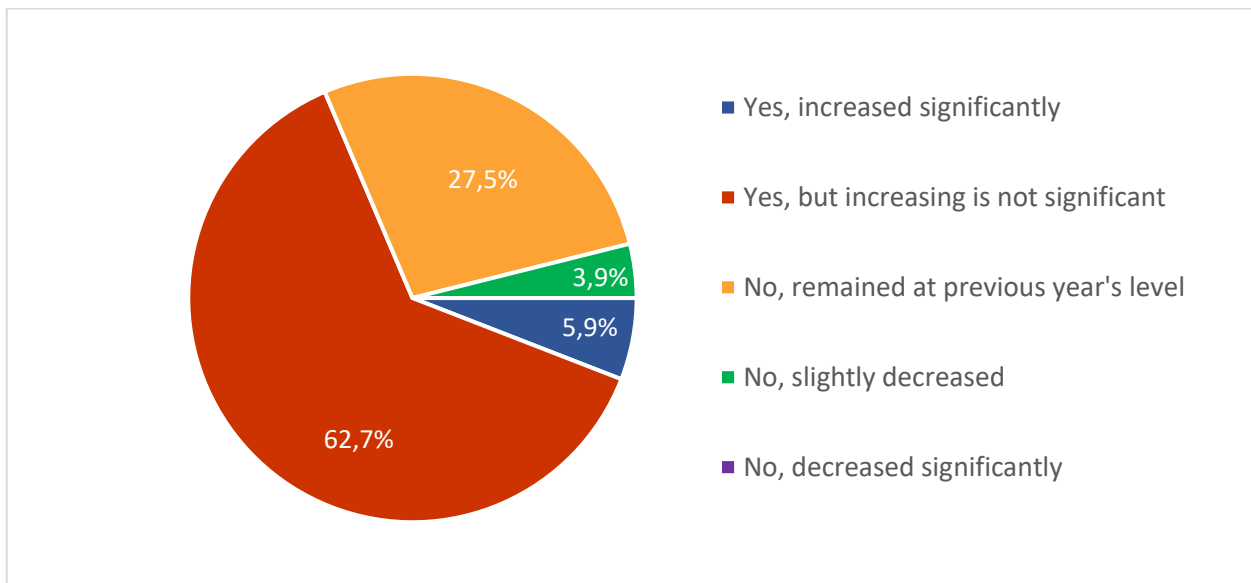
1. Were there any mergers with other audit entities (including legal mergers, acquisitions, transfers/recruitments of personnel with partial or full transfers of service contracts) within the period covered by the survey?



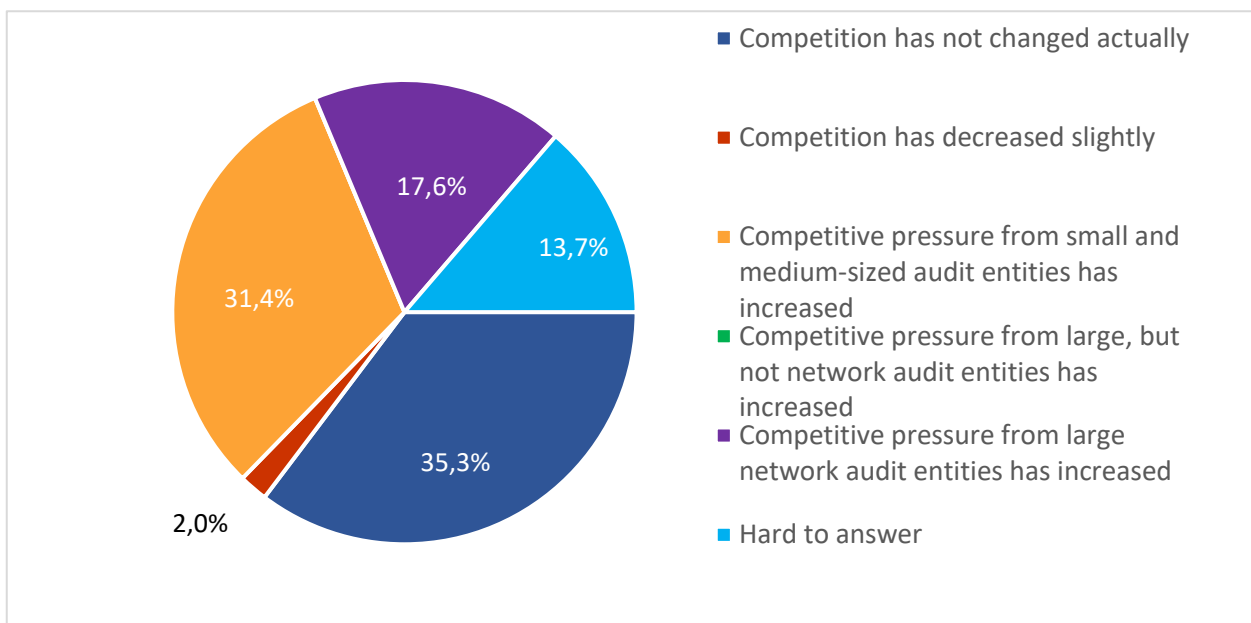
2. Does the audit entity have plans to merge with other audit entities in the next two years?



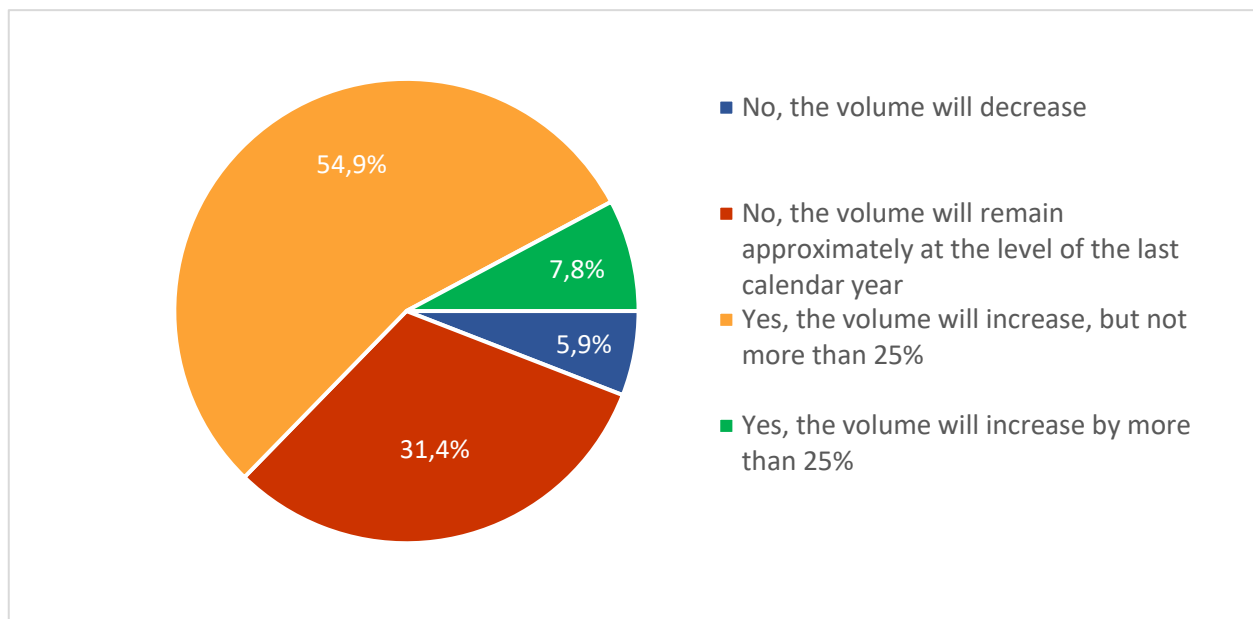
3. Has the average price of the engagement for statutory audit of financial statements changed compared to the previous year?



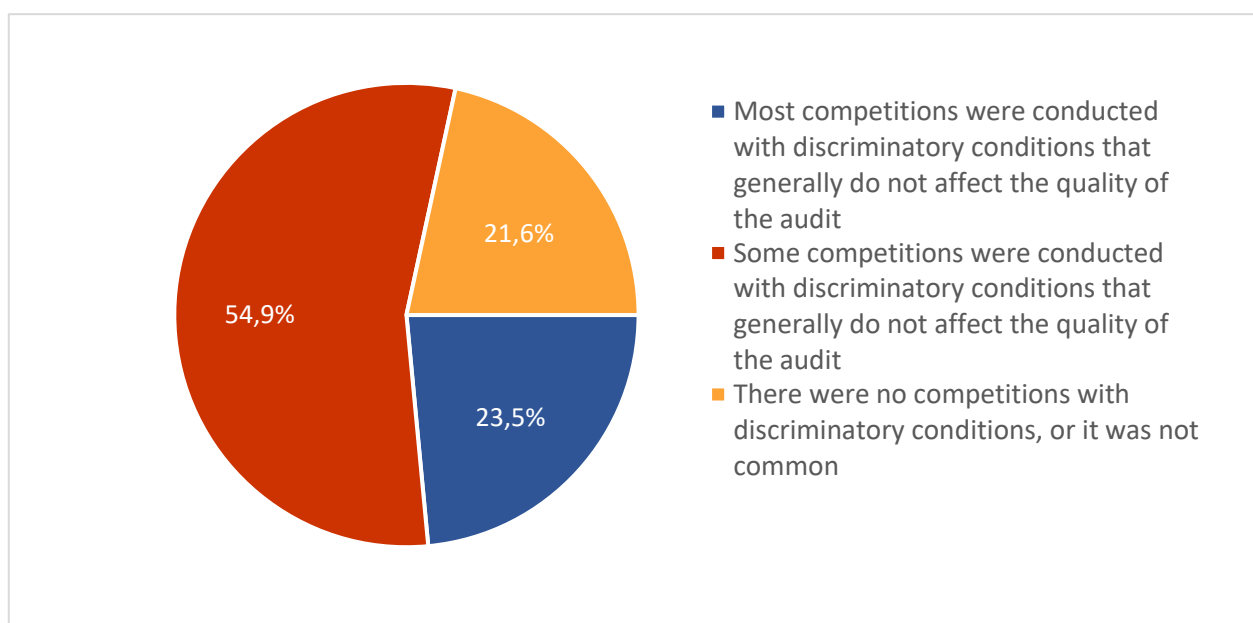
4. How can the changes that have taken place in the competitive environment of the audit entity over the past year be described in the best way?



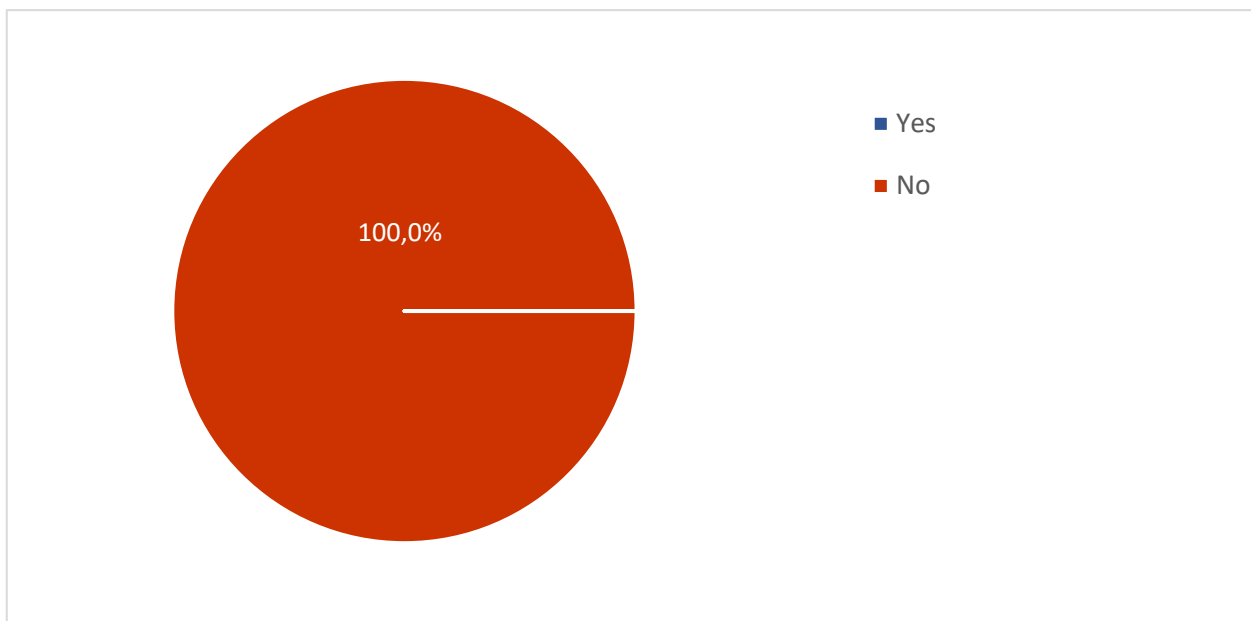
5. Does the audit entity expect increasing in volume of provision of services for statutory audit of financial statements during the next calendar year?



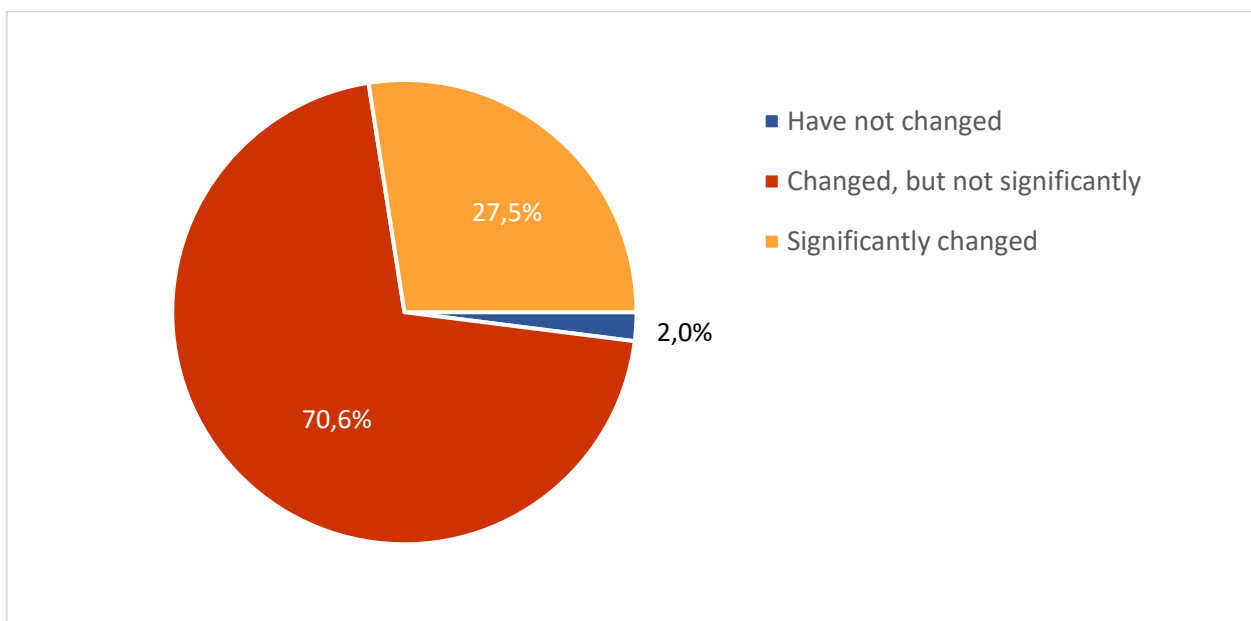
6. What is the best way to describe the organization and conducting of competitions for the selection of auditors for the statutory audit of financial statements for the last year?



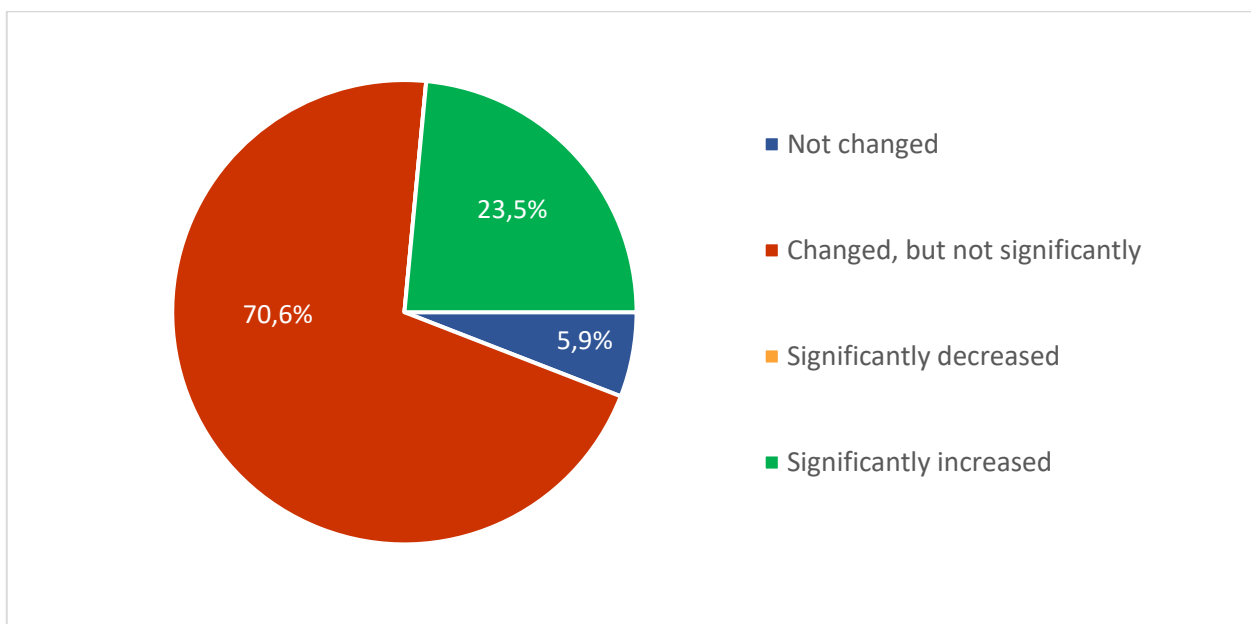
7. Has the audit entity participated in a joint audit of the financial statements with another audit entity with the joint submission of the audit report during the last year?



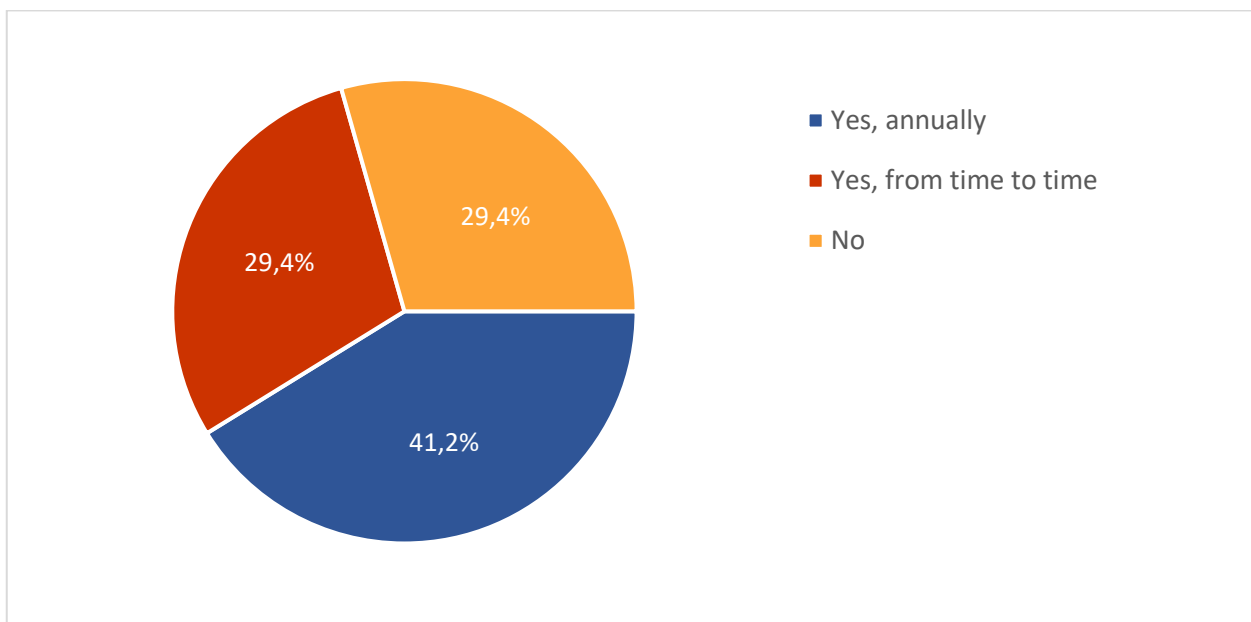
8. Have the quality control policies and procedures, and applicable to the audit entity's audit documentation templates changed over the past year?



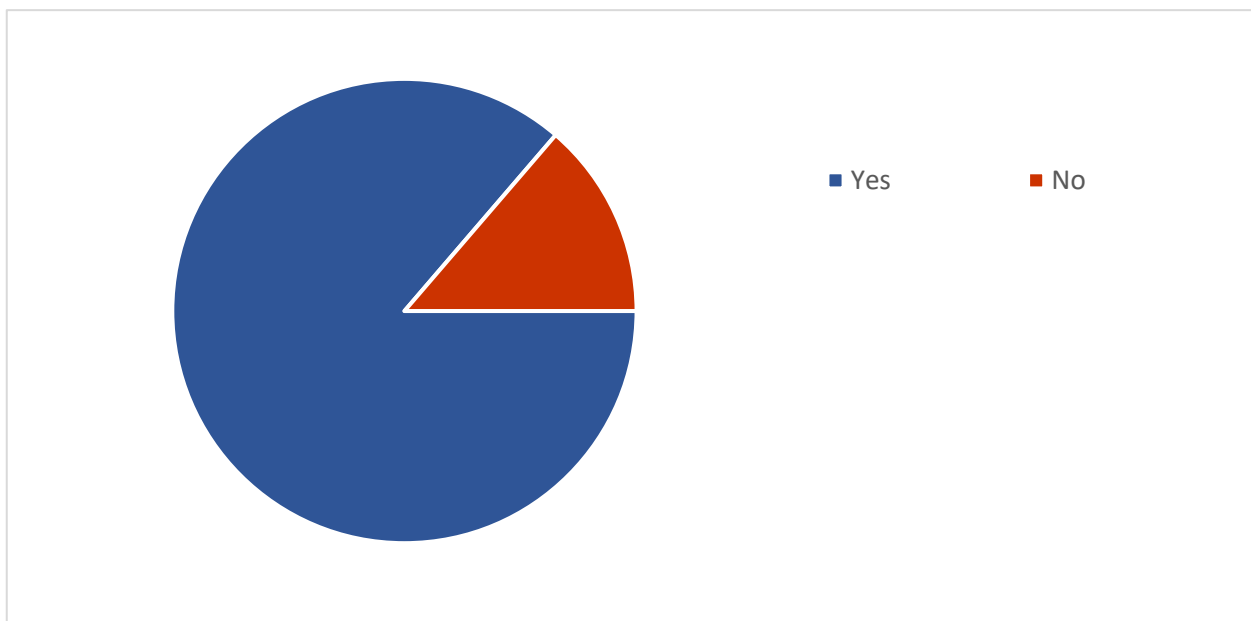
9. Has the average time spent on an audit of financial statements changed over the last year?



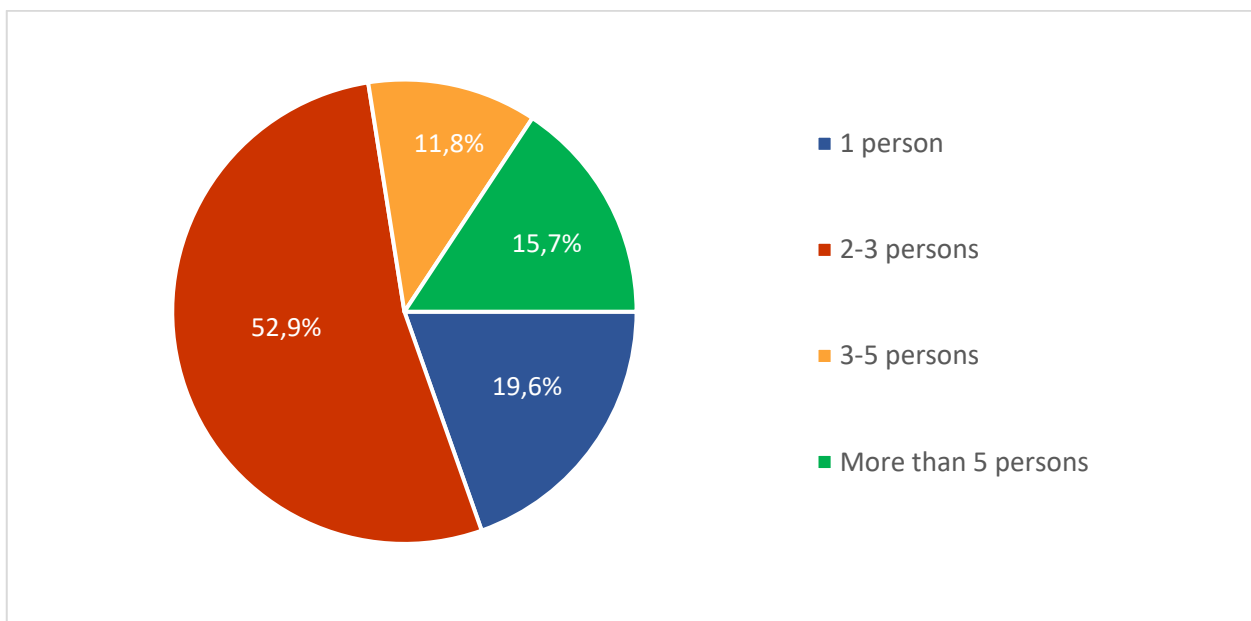
10. Does the audit entity use internal quality control monitoring with involvement of external persons or organizations?



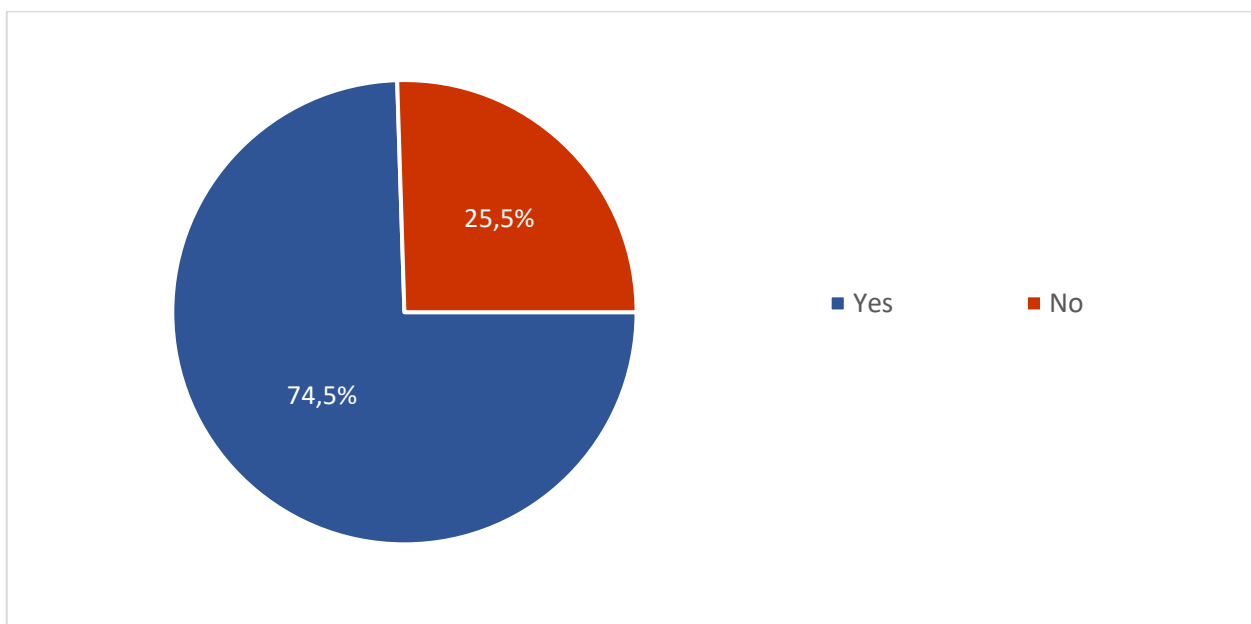
11. Does the audit entity have an employee or unit that conducts quality control before submission of the audit report on a systematic basis?



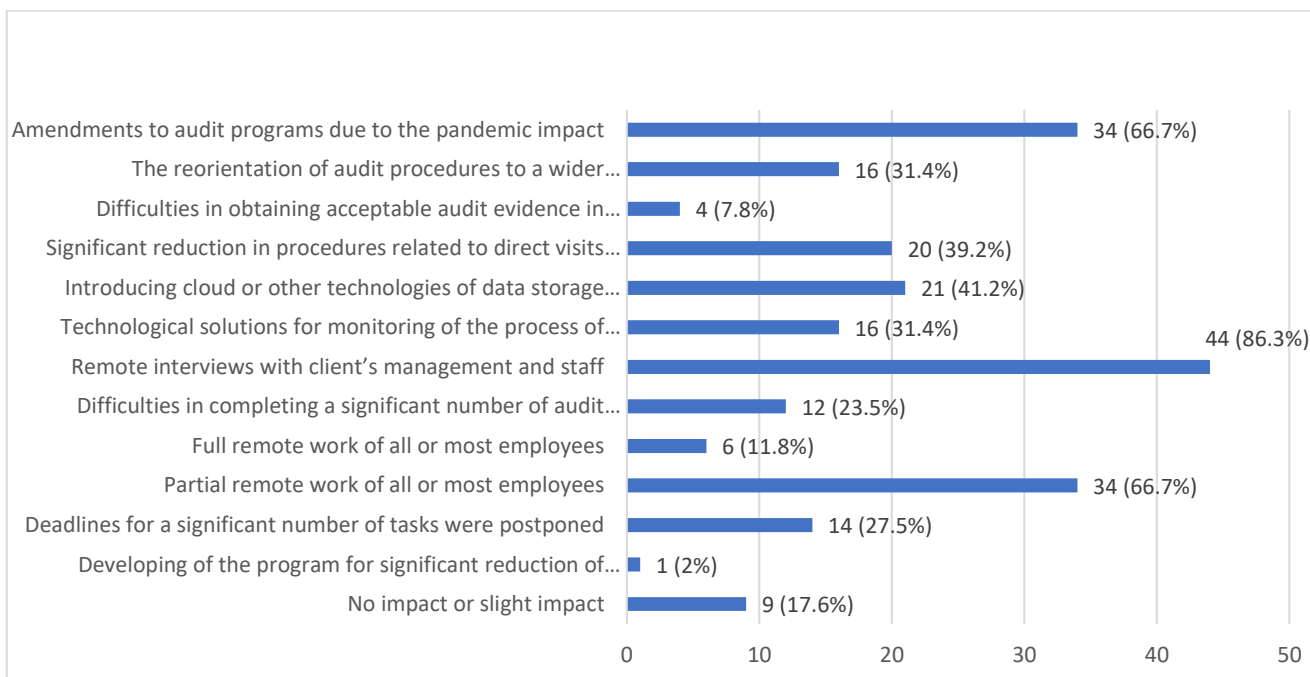
12. Total number of employees of the audit entity involved in the quality control function:



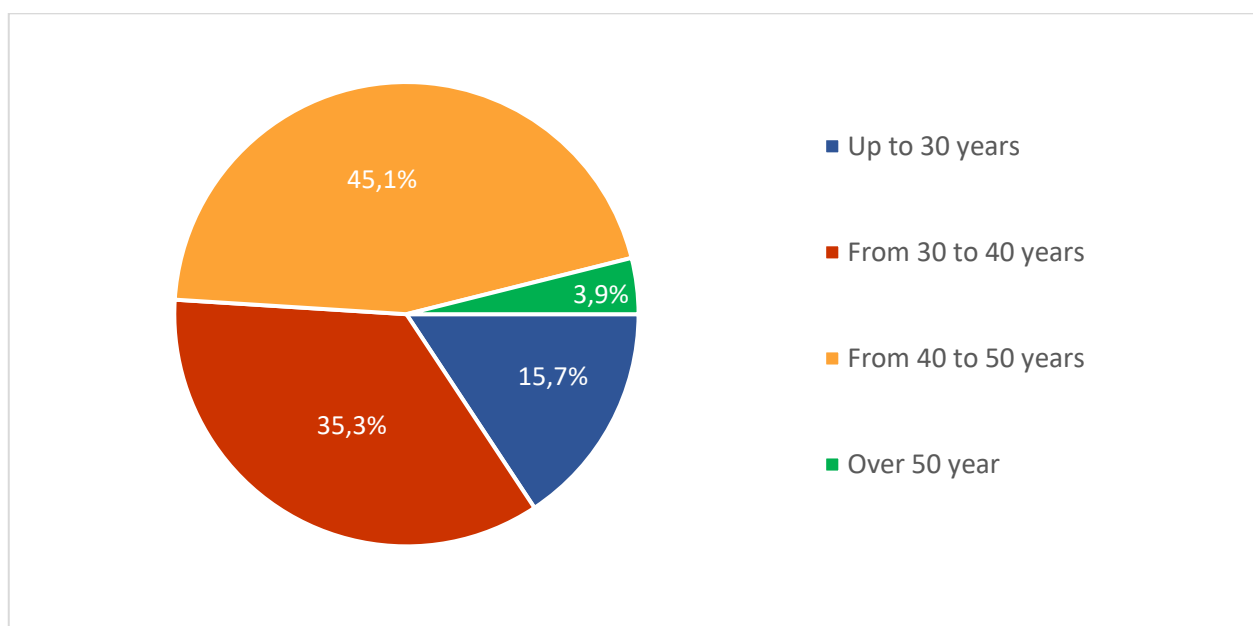
13. Does the audit entity have an employee or unit responsible for developing and maintaining an applicable methodology for providing audit services:



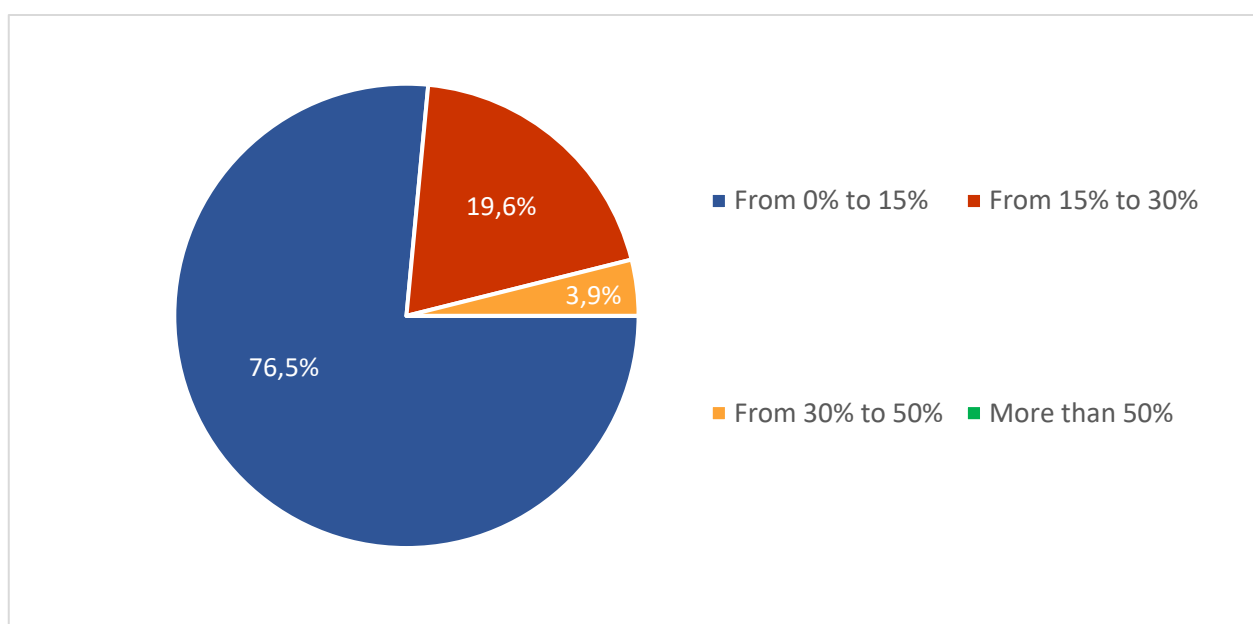
14. How did the quarantine and the introduction of restrictive anti-epidemic measures to prevent the spread of acute respiratory disease COVID-19 in Ukraine affect the activities of the audit entity:



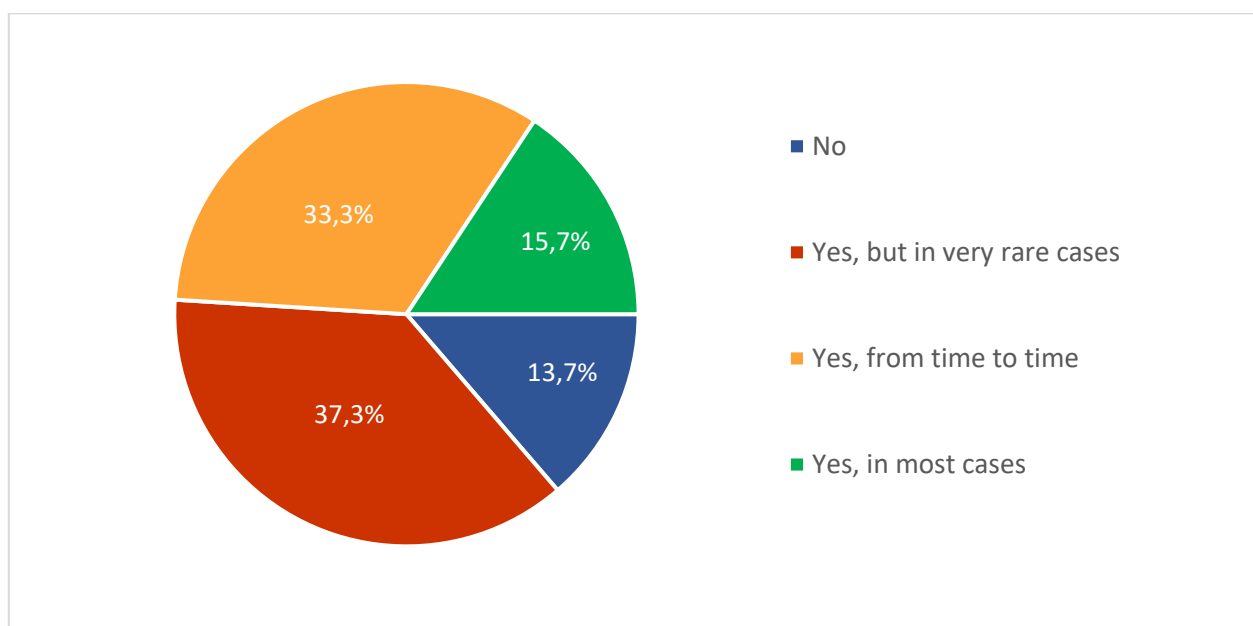
15. The average age of employees of the audit entity involved in the provision of audit services:



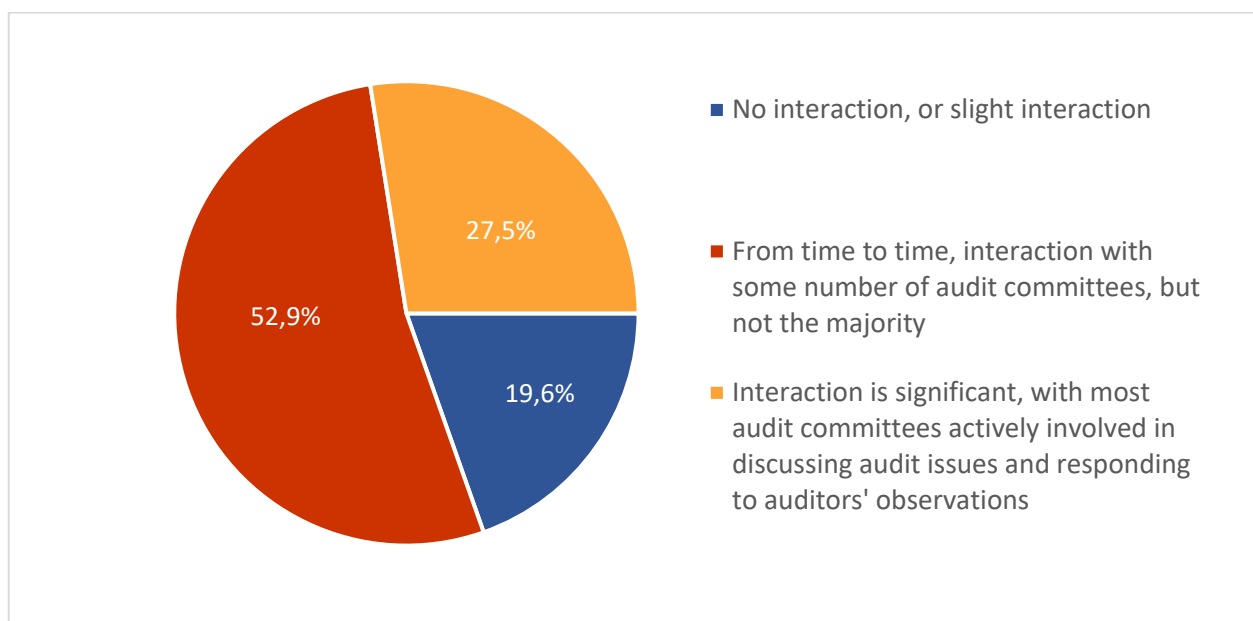
16. Staff turnover of the audit entity for the last year:



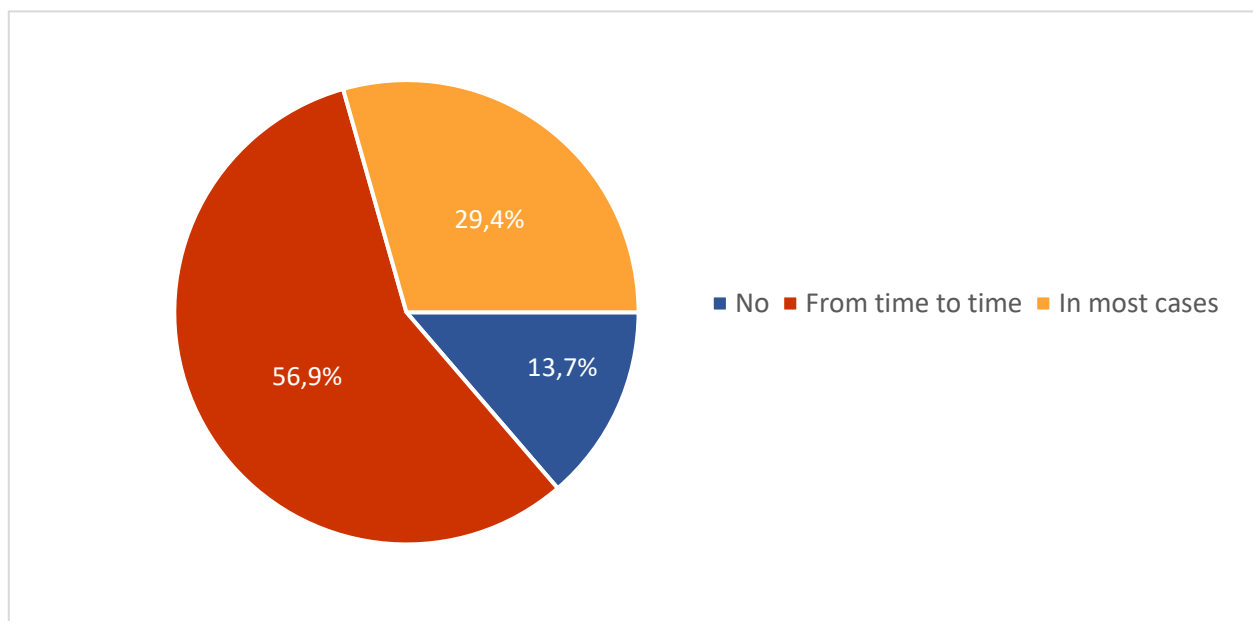
17. Does the audit entity participate in the meetings of audit committees or other bodies (units) entrusted with the relevant functions in which audit issues are discussed?



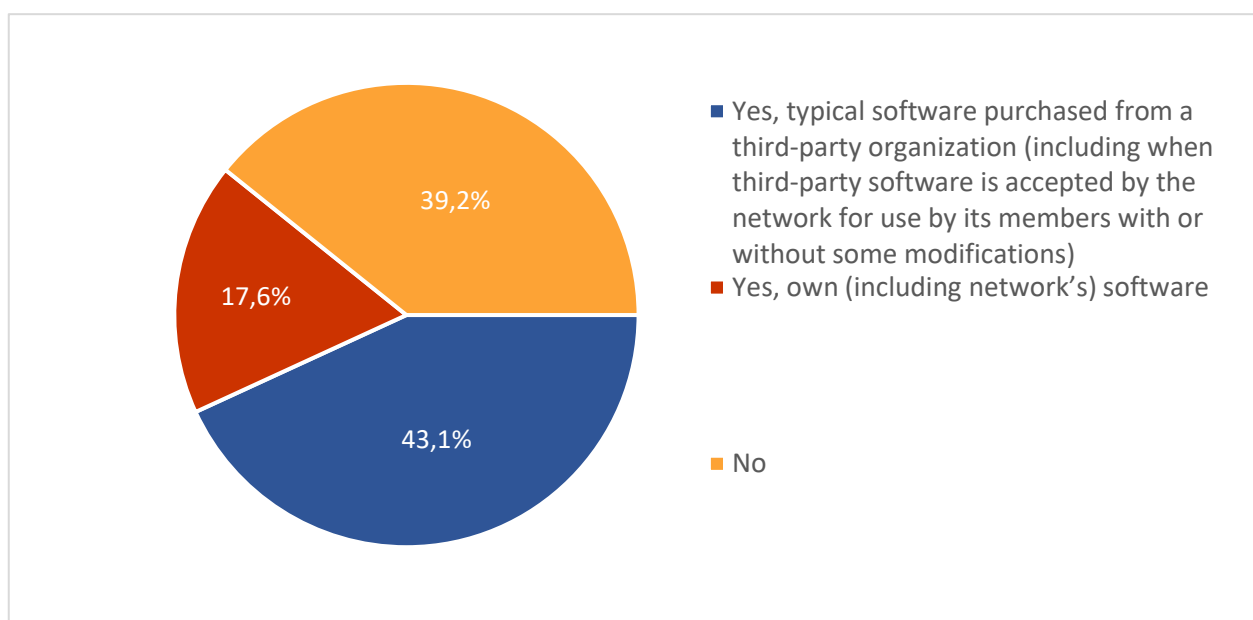
18. How does the audit entity, on average, assess the degree of interaction with the audit committees or other bodies (units) entrusted with the relevant functions, by engagement of the audit of financial statements?



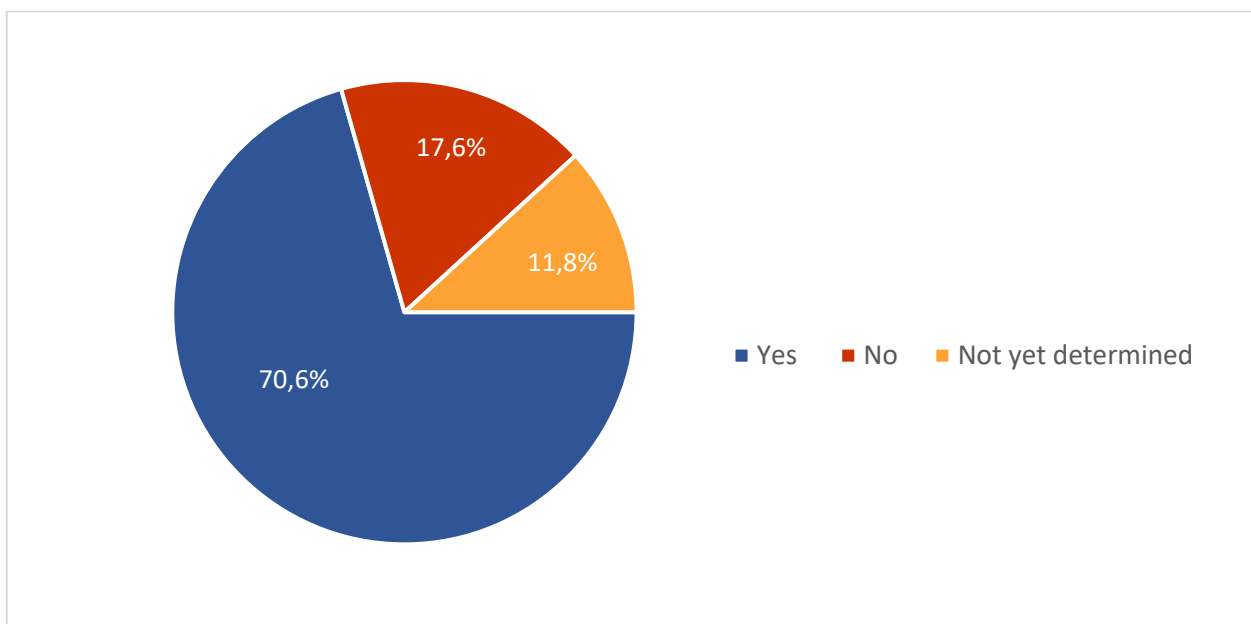
19. Does the audit entity receive feedback from audit committees or other bodies (units), entrusted with the relevant functions, regarding the quality and organization of the audit?



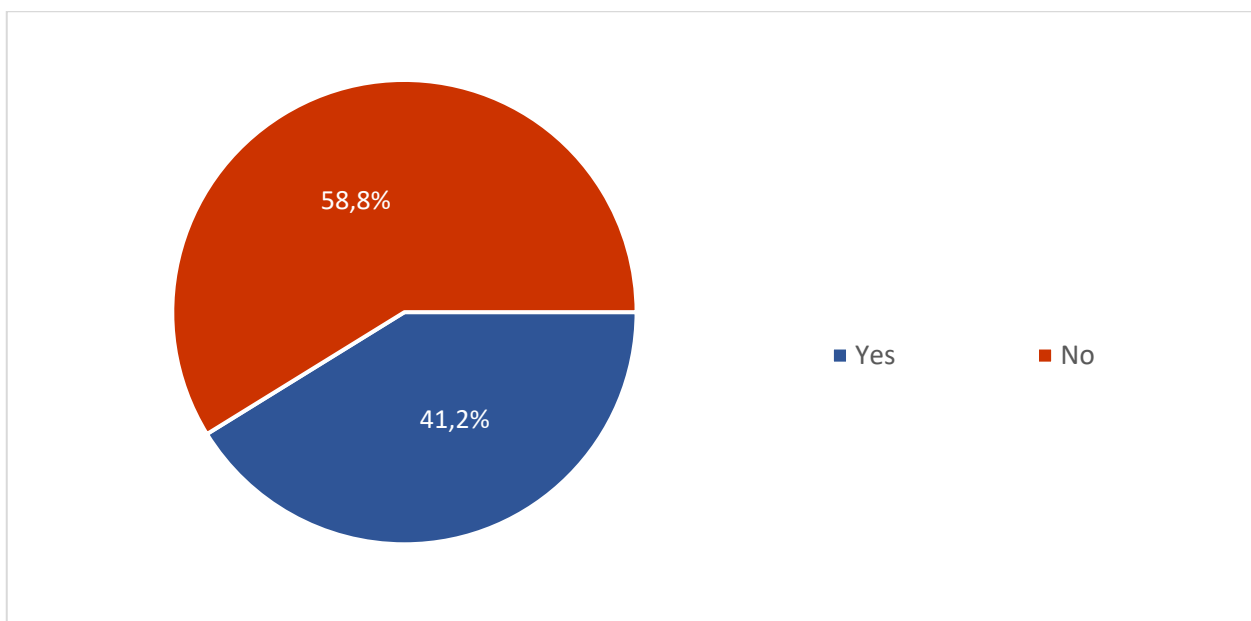
20. Does the auditor use software to automate the process of audit services provision and audit documentation compiling (other than Word and/or Excel software)?



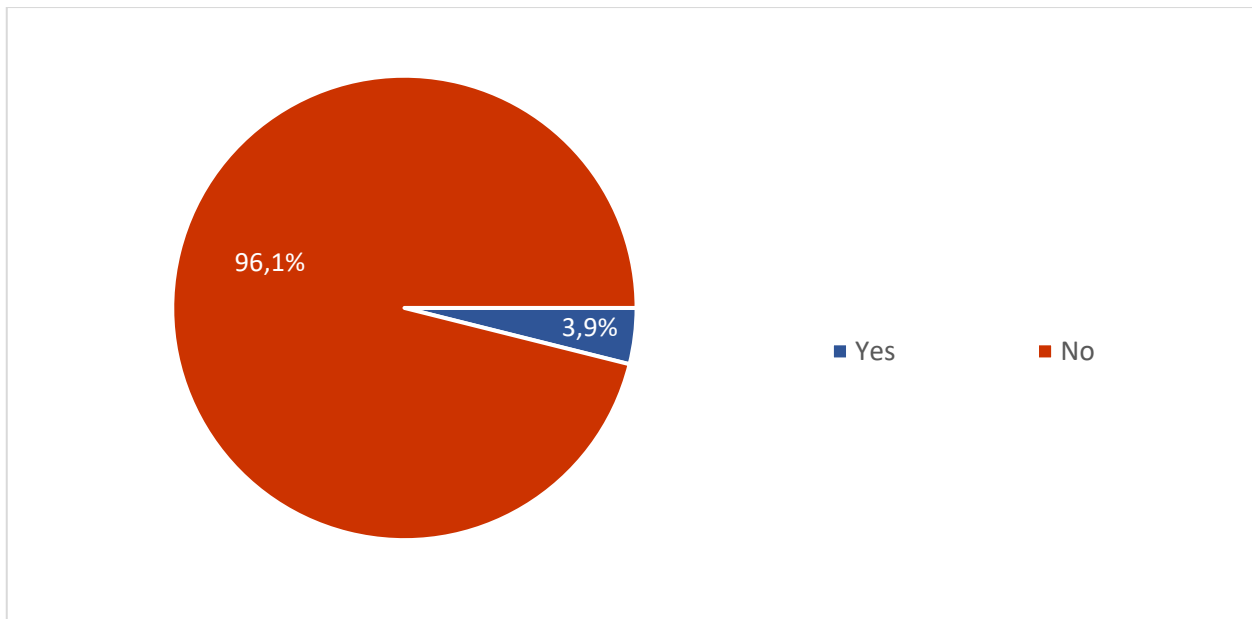
21. Does the auditor plan to implement software to automate the audit services provision and audit documentation compiling within the next two years?



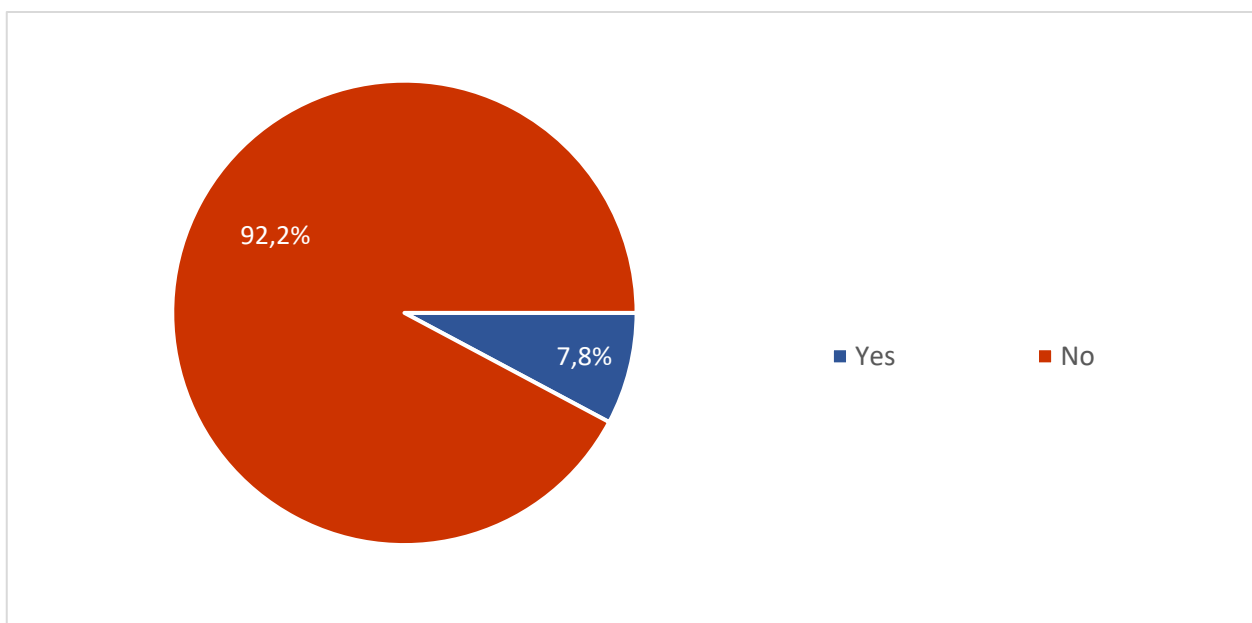
22. Does the audit entity use software to extract and analyze data (other than Excel data) to perform audit procedures?



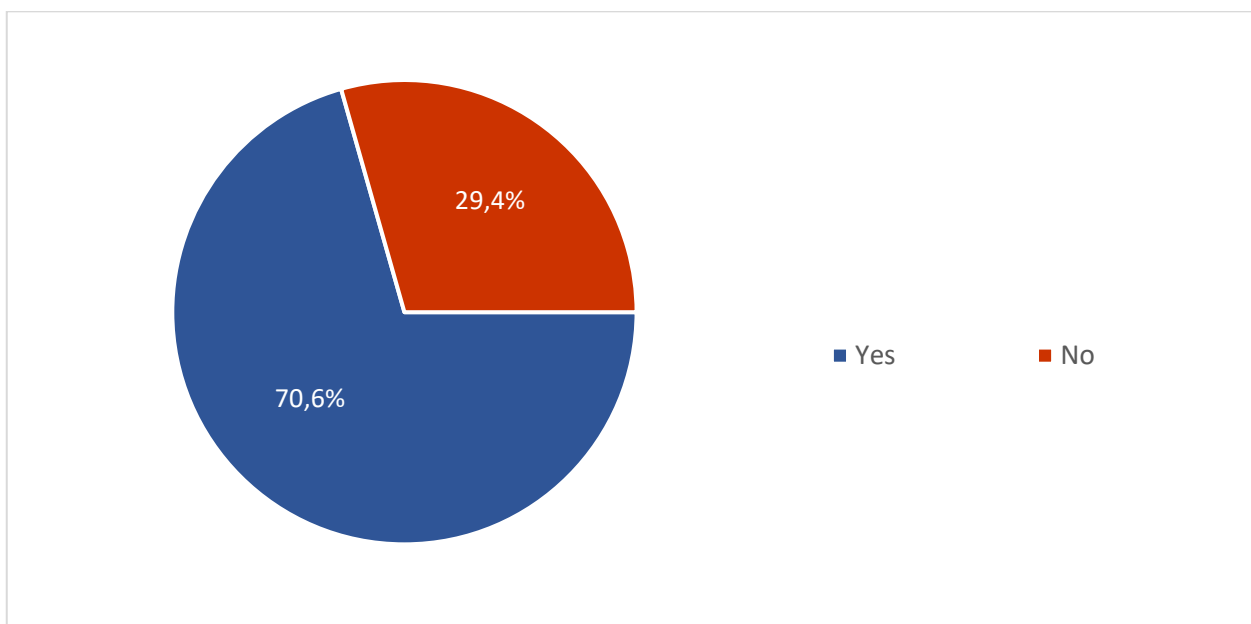
23. Does the audit entity use process mining software in the audit?



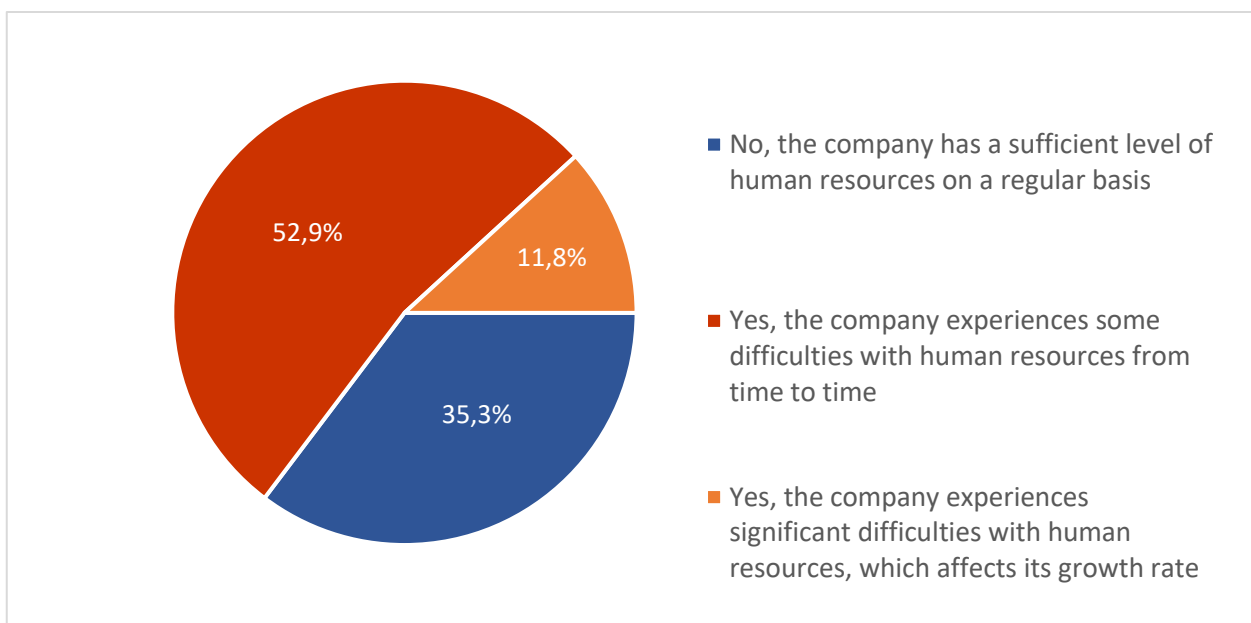
24. Does the audit entity use robotic process automation (RPA) to perform audit procedures?



25. Does the auditor use software or other, including cloud technologies, to securely exchange information with clients (other than the exchange of information by e-mail)?



26. Does the audit entity have difficulties with insufficient human resources?



27. Which specialists of the audit entity, as part of their own employees, are systematically involved in the audit of financial statements:

