

## **Administrative sanction of 17 July 2024 for non-compliance with professional obligations related to statutory audit**

Luxembourg, 03 December 2024

### **Administrative decision**

On 17 July 2024 the CSSF imposed an administrative fine amounting to EUR 10,000 on a réviseur d'entreprises agréé ("approved statutory auditor").

### **Legal framework/motivation**

The administrative fine was imposed by the CSSF pursuant to the point f) of Article 43 (1) of the Law of 23 July 2016 concerning the audit profession (the "Audit Law"), read in conjunction with Article 40(2) and the points a) and b) of Article 43(2) of the Audit Law, for non-compliance with statutory audit professional obligations, taking into account the criteria defined in Article 44 of this law, in particular the gravity and duration of the breach, the degree of responsibility of the approved statutory auditor, his financial strength, his level of cooperation with the CSSF and the absence of previous breaches by the approved statutory auditor.

The professional obligations in relation to which the breaches were observed are set out in particular in:

- the Audit Law;
- the CSSF Regulation N° 22-01 relating to the adoption of audit standards in the field of statutory audit;

as applicable at the time of the facts.

### **Legal bases for the publication**

This publication is made pursuant to the provisions of Article 48 of the Audit Law.

In accordance with the point a) of Article 48 (2) of the Audit Law, this publication is made anonymously, the CSSF having considered that a nominative publication would cause disproportionate harm to the parties involved.

## Context and major cases of non-compliance with the professional obligations identified

This administrative fine follows a CSSF quality assurance review at a “cabinet de révision agréé” (“audit firm”) targeting statutory audit files and their compliance with the standards referred to in Article 33 of the Audit Law. During this quality assurance review, the CSSF identified for one statutory audit regarding an Investment Fund (“The Fund”) under the responsibility of the *approved statutory auditor* important breaches in the statutory audit framework which related in particular to the following points.

More specifically, the approved statutory auditor did not identify that a capital call that occurred between the last Net Asset Value calculation date of an underlying investment of the Fund and the closing date had not been taken into account in determining its fair value. The impact of this error exceeds the materiality threshold established by the approved statutory auditor. Accordingly, in the absence of the correction of that material misstatement in the Fund's annual accounts, the approved statutory auditor should have issued a qualified opinion.

These findings thus contravene Article 18 paragraph 2 of the Audit Law for lack of professional skepticism, article 35 of the Audit Law in view of the inappropriateness of the audit opinion issued by the approved statutory auditor, as well as the following International Standards on Auditing (“ISAs”):

- ISA 200 “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing”, paragraphs 11 and 15;
- ISA 260 (revised) “Communication with Those Charged with Governance”, paragraph 16;
- ISA 450 “Evaluation of misstatements identified during the audit”, paragraph 8;
- ISA 540 (revised) “Auditing Accounting Estimates and Related Disclosures”, paragraph 25; and
- ISA 705 (revised) “Modifications to the Opinion in the Independent Auditor’s Report”, paragraphs 6, 7 and 17.