Audit Profession in Lebanon
Challenges & Conclusions

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Audit Profession in Lebanon

- The LACPA is the sole organization for the CPA profession in Lebanon
- It was formed in 1994 under the Accountancy Profession Act Law No 364/94 issued in August 1st 1994
- Practicing in Lebanon = LACPA Membership
## LACPA Membership Requirements

### BS/ BBA
- 3 Years Training in Audit Firm
- **Pass the LACPA Exams:**
  - Lebanese Laws
  - IFRS
  - Audit
  - Managerial Accounting

### BS/ BBA + AICPA
- 1 Year training in Audit Firm
- **Exemption of 3 Exams**
- **Pass the LACPA Exams:**
  - Lebanese Laws

### BS/ BBA + DipIFR
- 3 Years Training in Audit Firm
- **Exemption of 1 Exam**
- **Pass the LACPA Exams:**
  - Lebanese Laws
  - Audit
  - Managerial Accounting

### BS/ BBA + CMA
- 3 Years Training in Audit Firm
- **Exemption of 1 Exam**
- **Pass the LACPA Exams:**
  - Lebanese Laws
  - Audit

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**EXEMPTIONS**
Auditors’ Role and Responsibilities

- Code of Commerce
- The Accountancy Profession Act Law No 364
- Tax Laws
- Insurance Law
- Banking Regulation & Circulars
- Capital Markets Laws
- Anti-Money Laundering Laws
- Standard Setters ISA, IFRS

LACPA National Professional Body
Oversight Board

Peer Review
Quality Assurance

Tax Revenues Department

Special Investigation Commission (AML)

Supervisory Bodies: Banking and Insurance Supervisors

Capital Market Authority
LACPA Statistics

Members’ by Category

- Total Practicing Members = 1444
- Non Practicing Members = 312
- Trainees = 557
LACPA Statistics

Audit Firms by Category

- Big Audit Firms Including Big 4 = 11
- SMPs = 65
- Sole Practitioners Offices = 946
LACPA Statistics

Members’ Distribution Among Firms

- **Big Audit Firms Including Big 4**
  - Partners: 27
  - Employees: 46
  - Trainees: 55

- **SMPs**
  - Partners: 126
  - Employees: 83
  - Trainees: 134

- **Sole Practitioners**
  - Partners: 946
  - Employees: 208
  - Trainees: 359

Key:  
- Partners
- Employees
- Trainees
LACPA Statistics

**AICPA Holders**

- Practicing AICPA Holders = 51
- Non Practicing AICPA Holders = 17
- Trainees AICPA Holders = 25

**TOTAL AICPAs**

93
The LACPA is applying the 40 CPE requirements with no exception to all LACPA members.

The training institute is offering specialized seminars and workshops on special topics as Audit and Assurance (ISAs), IFRS, Business Soft Skills, Taxation, etc…
As per the MOUs signed with the ACCA and IMA, the LACPA launched professional Diplomas: **DiplIFR (84 hrs.), Auditing and Assurance (42 hrs.), Managerial Accounting and Reporting (48 hrs.).**

- Organized 2 sessions of professional diplomas classes for LACPA members and trainees.
- Amended the internal bylaws of the **Examination Committee.**
- Amended the **Examination Syllabi** as per IFRS, ISA & Managerial Accounting.
- The new syllabi were implemented during the LACPA examinations in **December 2014.**
• The Audit File Manual:
  – A Technical Committee assigned by the LACPA Board, finalized developing the Audit File Manual and related working papers to be used as guidance for SMPs’.
INSTITUTE FOR THE FUTURE

Peer Review and Quality Control Program

– **Launched** the Peer Review and the Quality Control Program.
– **Adopted** the Quality Control Manual in accordance with the revised ISQC1.
– Will start a **Quality Control Assurance Review** (Peer Review) on selected audit firms that audit listed and public interest companies in **October 2015**.
– External Quality Assurance **Reviewers** will be selected from Jordan.
– Appoint Members in charge of the Quality Control Supervisory Commission (**QCSC**).
New Drafted Law Regarding the Accountancy Profession

The QCSC – Oversight Board

Enhancement of the procedures and processes of the Disciplinary System

Professional Indemnity Insurance Cover
Set up the QCSC - OVERSIGHT BOARD

- Independent
- Decisions are Legally Binding
- Composed of 5 Members
- Members are appointed according to the following:
  - One member appointed by the Central Bank.
  - One member appointed the Capital Markets Authority.
  - A professor in Auditing and Accounting from one of the Lebanese Universities.
  - 2 retired members of LACPA appointed by the board.
- The mandate of the QCSC is 3 years.
LACPA is currently working in collaboration with the Ministry of Finance, l’Institut des Finances – Bassil Fuleihan and the International Public Sector Accounting Standards Board - IPSASB, on organizing a 3 days’ workshop on June 10, 11 and 12, 2015
Challenges

- Quality Control: Substance-over-form
- Quality Assurance Compliance Cost
- Independency and Confidentiality issues – Quality Assurance Program:
  - Quality Control Supervisory Commission (Laws; People)
  - Reviewers
Conclusion

• Oversight Board
• Application of Quality Assurance Review Systems within the firm (ISQC1, ISA 220)
  – Self Review, Leadership Responsibility within the Audit Firm (SMPs)
  – Ethical Requirements: Integrity, Objectivity, Professional Behavior, etc…
• LACPA Commitment to ensure compliance with professional International Standards
Conclusion (Cont’d)

- Application of Quality Assurance and Peer Review Programs
- Amendment of Law 364/94 Regulating the Profession in Lebanon
- Contributing in the Amendment of the Lebanese Commercial Law
- Ongoing Professional Coordination with Regulatory and Supervisory Bodies
- Special Events:
  - Business Community Events
  - Quality Assurance Awareness